Stock Code:1532

CHINA METAL PRODUCTS CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED 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 consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of China Metal Products Co., Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, China Metal Products Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: China Metal Products Co., Ltd.
Chairman: Ting Fung, Lin
Date: March 28, 2019

Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated 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 and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

Other Matter

China Metal Products Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of consolidated financial statements for the year ended December 31, 2018 of the Group. Those matters have been addressed in our audit opinion on the said consolidated 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(x).

Description of key audit matter:

The revenue recognition of the Group's product selling is the timing of the transfer of control varied by the individual terms of the sales agreement, which is mainly at the time when the goods are loading to the export ship and to the determined shipping point. The recognition of revenue is also varied by the terms of acceptance and return of goods in the sale contracts between the Group and the clients who are large vehicle parts suppliers and manufacturers. The Group evaluates the terms of the sale contracts individually to determine the timing of revenue recognition.

There is risk of misstatement when the timing of revenue recognition is earlier than the transfers of control. The revenue from cast iron products selling is recognized when customers collect the goods from the shipping warehouse (the transfer of control). The Group's revenue recognition is based on the regarding documents or other information provided by custodian of the shipping warehouse. Due to the shipping warehouse is located in Atlanta, USA, the providing schedule and contents of information from the custodian usually involves human factors. It may result in inappropriate revenue recognition or inconsistent inventory record. 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 include: understanding and evaluating the design, operation and implantation of the effectiveness of internal control on revenue recognition; 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 (i.e. delivery order signed by the recipient, bill of lading, documents from the warehouse custodian) to evaluate the appropriateness timing of revenue recognition; comparing the actual sales return and discount after the financial reporting date with the estimated allowance for sales return and discount on the financial reporting date and the previous financial reporting period to evaluate the reasonableness of the estimation; evaluating whether the recognition period of inventory and cost of goods sold is appropriate; performing inventory observation and checking the inventory quantity with the records.

2. Allowance for accounts receivable

   For the estimation of allowance for bad debt accounting policy, please refer to Note 4(g); for the significant assumptions and judgments, and major sources of estimation uncertainty of the loss allowance of accounts receivable, please refer to Note5(a); for the details of the loss allowance of accounts receivable during the years, please refer to Note 6(d).

   Description of key audit matter:

   The loss allowance of accounts receivable for the Group is based on the management's judgments of the estimation of the expected credit loss which comprised of the credit reliability of the customers, the current market, forward-looking estimation and customer-specific terms. The estimation involves subjective judgment. The balance of accounts receivable is significant and the current economic and environment risk increase the risk of recovering. Therefore, the estimation of accounts receivable loss allowance is considered as one of the key audit matters.

Corresponding audit procedure:

Our main audit procedures for the above key audit matters include: understanding and evaluating the design, operation and implementation of the effectiveness of internal control on management's credit control of customers, recovery of the receivables and the estimations of allowance for receivables; evaluating the appropriateness of the accounting policies regarding the allowance for receivables, sampling sales invoices and comparing them with other transaction documents to check the accuracy of receivable aging; understanding and recalculating the rolling rates of overdue accounts receivable and expected loss rates to evaluate whether the management estimation of the loss allowance is considered the customers' industry status, the receivables overdue status, forward-looking estimation and payment records; sampling the receivables for cash collecting after the balance sheet date.

3. Litigation provision assessment

For the accounting policy of litigation provision assessment, please refer to the Note 4(q) Provisions; for the accounting estimate and uncertain hypothesis, please refer to Note 5(d); for the details of estimated litigation, please refer to Note 6(q).

Description of key audit matter:

Sunflower Investment Co., Ltd. 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 Group 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 Group. 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 Group'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 Group'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 consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee or supervisors) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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

<u>Notes to Readers</u>

The accompanying consolidated financial statements are intended only to present the consolidated balance sheets, financial performance and its 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a) and (ac))	$ 3,896,690	10	3,630,012	9
1110	Current financial assets at fair value through profit or loss (Note 6(b) and (ac))	2,960	-	44,378	-
1125	Current available-for-sale financial assets (Note 6(b) and (ac))	-	-	594	-
1170	Notes and accounts receivable, net (Note 6(d), (x) and (ac))	4,306,821	11	4,648,196	12
1180	Accounts receivable due from related parties, net (Note 6(ac) and 7)	1,276	-	1,100	-
1200	Other receivables (Note 6 (ac))	81,054	-	65,086	-
1210	Other receivables due from related parties (Note 6(ac) and 7)	15,948	-	10,204	-
130X	Inventories (Note 6(e), 8 and 9(a))	14,291,572	38	14,995,117	38
1410	Prepayments (Note 7 and 9(a))	271,283	1	522,399	1
1460	Non-current assets held for sale, net (Note 6(f))	-	-	233,460	1
1470	Other current assets	196,979	1	228,401	1
1476	Other current financial assets (Note 6(d), 7, 8 and 9(a))	760,460	2	1,122,734	3
1480	Incremental costs of obtaining contracts	106,202	-	-	-
	Total current assets	23,931,245	63	25,501,681	65
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c) and (ac))	207,818	1	-	-
1543	Non-current financial assets measured at cost (Note 6(b) and (ac))	-	-	138,784	-
1550	Investments accounted for using equity method (Note 6(g))	864,157	2	870,853	2
1600	Property, plant and equipment (Note 6(j), 8 and 9(a))	10,280,411	27	10,051,747	26
1760	Investment property, net (Note 6(k) and 8)	604,257	2	871,077	2
1780	Intangible assets (Note 6(l))	451,287	1	478,336	1
1840	Deferred tax assets (Note 6(t))	28,092	-	28,222	-
1900	Other non-current assets (Note 6(j), (m) and 9(a))	957,905	2	697,686	2
1980	Other non-current financial assets (Note 6(n), 7 and 9(a))	682,985	2	681,241	2
	Total non-current assets	14,076,912	37	13,817,946	35
	Total assets	**$ 38,008,157**	**100**	**39,319,627**	**100**

		December 31, 2018		December 31, 2017	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(o) and (ac))	$ 6,620,573	17	7,694,282	20
2130	Current contract liabilities (Note 6(x) and 9(a))	547,626	1	-	-
2170	Notes and accounts payable (Note 6 (ac))	2,536,699	7	2,286,645	6
2180	Accounts payable due to related parties (Note 6(ac) and 7)	19,921	-	18,685	-
2200	Other payables (Note 6(ac))	1,073,350	3	939,242	2
2220	Other payables due to related parties (Note 6(ac) and 7)	10,109	-	5,241	-
2230	Current income tax liabilities	56,813	-	135,644	-
2312	Advance real estate receipts (Note 6(x) and 9(a))	-	-	1,532,362	4
2322	Long-term borrowings, current portion (Note 6(p) and (ac))	1,062,662	3	1,724,986	4
2360	Current net defined benefit liability (Note 6(s))	1,389	-	1,389	-
2399	Other current liabilities (Note 6(q), (s), 7 and 9(a))	123,241	-	184,969	1
	Total current liabilities	12,052,383	31	14,523,445	37
	Non-Current liabilities:				
2540	Long-term borrowings (Note 6(p) and (ac))	7,963,236	21	8,242,404	21
2570	Deferred tax liabilities (Note 6(t))	646,449	2	622,456	1
2600	Other non-current liabilities (Note 6(q))	329,581	1	273,477	1
2640	Non-current net defined benefit liability (Note 6(s))	73,343	-	88,397	-
	Total non-current liabilities	9,012,609	24	9,226,734	23
	Total liabilities	21,064,992	55	23,750,179	60
	Equity attributable to owners of parent (Note 6(u)):				
3100	Share capital	3,852,521	10	3,852,521	10
3200	Capital surplus	1,525,666	4	1,522,961	4
3300	Retained earnings	7,159,640	19	5,878,089	15
3400	Other equity	206,070	1	392,469	1
	Total equity attributable to owners of parent:	12,743,897	34	11,646,040	30
36XX	Non-controlling interests (Note 6(i))	4,199,268	11	3,923,408	10
	Total equity	16,943,165	45	15,569,448	40
	Total liabilities and equity	**$ 38,008,157**	**100**	**39,319,627**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

Consolidated 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 (Note 6(x), (y) and 7)**	$ 18,085,535	100	14,517,909	100
5000	**Operating costs (Note 6(e) and 7)**	(13,067,317)	(73)	(10,694,039)	(74)
	Gross profit from operations	5,018,218	27	3,823,870	26
	Operating expenses (Note7):				
6100	Selling expenses	(812,196)	(4)	(672,938)	(5)
6200	Administrative expenses	(1,737,754)	(10)	(1,609,552)	(11)
6300	Research and development expenses	(14,248)	-	(23,548)	-
6450	Expected credit loss	(493)	-	-	-
	Total operating expenses	(2,564,691)	(14)	(2,306,038)	(16)
6500	**Net other income and expenses (Note 6(aa))**	6,360	-	5,997	-
	Net operating income	2,459,887	13	1,523,829	10
	Non-operating income and expenses:				
7010	Other income (Note 6(ab) and 7)	196,787	1	177,039	1
7020	Other gains and losses (Note 6(ab))	65,731	-	(257,285)	(1)
7050	Finance costs (Note 6(ab))	(264,757)	(1)	(143,129)	(1)
7375	Share of (loss) profit of associates and joint ventures accounted for using equity method (Note 6(g))	(50,653)	-	115,817	1
	Total non-operating income and expenses	(52,892)	-	(107,558)	-
	Profit from continuing operations before tax	2,406,995	13	1,416,271	10
7950	**Less: Tax expense (Note 6(t))**	(386,424)	(2)	(292,767)	(2)
8000	**Profit from continuing operations**	2,020,571	11	1,123,504	8
8100	**Profit (loss) from discontinued operations (Note 12(d))**	360,970	2	(96,626)	(1)
8200	**Net profit**	2,381,541	13	1,026,878	7
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(s))	(17,744)	-	1,939	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (Note 6(u) and (ac))	16,309	-	-	-
	Total items that may not be reclassified subsequently to profit or loss	(1,435)	-	1,939	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation (Note 6(u))	(297,551)	(1)	(59,895)	-
8362	Unrealized losses on valuation of available-for-sale financial assets (Note 6(u))	-	-	(4)	-
	Total Items that may be reclassified subsequently to profit or loss	(297,551)	(1)	(59,899)	-
8300	**Other comprehensive income (after tax)**	(298,986)	(1)	(57,960)	-
8500	**Comprehensive income**	**$ 2,082,555**	**12**	**968,918**	**7**
	Net profit, attributable to:				
8610	Owners of parent	$ 1,835,572	10	609,426	4
8620	Non-controlling interests	545,969	3	417,452	3
		$ 2,381,541	**13**	**1,026,878**	**7**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 1,578,480	9	722,859	5
8720	Non-controlling interests	504,075	3	246,059	2
		$ 2,082,555	**12**	**968,918**	**7**
	Earnings per share(Note 6(w))				
	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 consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent										
	Share Capital		Retained earnings			Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-For-sale Financial assets	Total Equity Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
Balance on January 1, 2017	$ 3,852,521	1,554,932	1,411,550	49,081	4,853,212	270,483	-	190	11,991,969	6,262,042	18,254,011
Profit for the year ended December 31, 2017	-	-	-	-	609,426	-	-	-	609,426	417,452	1,026,878
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	2,854	110,582	-	(3)	113,433	(171,393)	(57,960)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	612,280	110,582	-	(3)	722,859	246,059	968,918
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)	-	-	-	(411,113)	411,594	481
Changes in equity of associates and joint ventures accounted for using equity method	-	(2,747)	-	-	-	-	-	-	(2,747)	(176)	(2,923)
Changes in the change of functional currency of subsidiaries accounted for using equity method	-	(3,730)	-	-	(7,487)	11,217	-	-	-	(2,372)	(2,372)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(2,682,314)	(2,682,314)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(311,425)	(311,425)
Balance on December 31, 2017	3,852,521	1,522,961	1,511,647	49,081	4,317,361	392,282	-	187	11,646,040	3,923,408	15,569,448
Effects of retrospective application	-	-	-	-	77,177	-	53,470	(187)	130,460	36,434	166,894
Balance on January 1, 2018 after adjustments	3,852,521	1,522,961	1,511,647	49,081	4,394,538	392,282	53,470	-	11,776,500	3,959,842	15,736,342
Profit for the year ended December 31, 2018	-	-	-	-	1,835,572	-	-	-	1,835,572	545,969	2,381,541
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(17,410)	(255,991)	16,309	-	(257,092)	(41,894)	(298,986)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,818,162	(255,991)	16,309	-	1,578,480	504,075	2,082,555
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)	-	-	-	(35,484)	28,133	(7,351)
Changes in equity of associates and joint ventures accounted for using equity method	-	2,279	-	-	-	-	-	-	2,279	3,036	5,315
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(135,183)	(135,183)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(160,635)	(160,635)
Balance on December 31, 2018	**$ 3,852,521**	**1,525,666**	**1,572,590**	**49,081**	**5,537,969**	**136,291**	**69,779**	**-**	**12,743,897**	**4,199,268**	**16,943,165**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

Consolidated 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	$	2,406,995	1,416,271
Profit (loss) from discontinued operations before tax		372,045	(96,626)
Profit before tax		2,779,040	1,319,645
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		793,288	748,715
Amortization expense		41,962	44,486
Reversal of provision for bad debt expense		-	(1,815)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss		(14,321)	426
Expected credit loss		493	-
Interest expense		264,757	143,129
Interest income		(62,179)	(36,464)
Dividend income		(38,980)	(31,972)
Other income		(1,300)	-
Other loss		452	-
Share of loss (profit) of associates and joint ventures accounted for using equity method		50,653	(115,817)
Loss on disposal of property, plant and equipment		11,711	6,390
Property, plant and equipment transferred to expenses		196	-
Impairment loss on property, plant and equipment		1,891	1,858
Gain on disposal of other assets		-	(30)
(Gain) loss on disposal of discontinued operations and non-current assets held for sale		(372,758)	37,680
Increase in deferred gain		(268)	-
Reversal of employee benefit liabilities		(5,673)	-
Total adjustments to reconcile profit		669,924	796,586
Changes in operating assets and liabilities:			
Changes in operating assets:			
Current financial assets at fair value through profit or loss		42,422	46,743
Notes and accounts receivable		255,758	(375,105)
Accounts receivable due from related parties		(115,362)	18,864
Other receivables		7,587	4,845
Inventories		659,770	(2,618,269)
Prepayments		260,468	150,278
Other current assets		(175,010)	42,014
Other financial assets		70,138	325,625
Incremental costs of obtaining contracts		115,624	-
Total changes in operating assets		1,121,395	(2,405,005)
Changes in operating liabilities:			
Notes and accounts payable (including related parties)		463,907	110,529
Other payables		97,449	34,498
Current contract liabilities / Advance receipts		(1,036,103)	258,485
Other current liabilities		(26,258)	(13,492)
Other non-current liabilities		3,136	-
Total changes in operating liabilities		(497,869)	390,020
Total changes in operating assets and liabilities		623,526	(2,014,985)
Total adjustments		1,293,450	(1,218,399)
Cash inflow generated from operations		4,072,490	101,246
Interest received		47,047	22,749
Dividends received		39,612	84,343
Interest paid		(320,442)	(232,215)
Income taxes paid		(474,569)	(366,463)
Net cash flows generated from (used in) operating activities		3,364,138	(390,340)
Cash flows from investing activities:			
Proceeds from capital reduction of financial assets at fair value through other comprehensive income		1,947	-
Proceeds from disposal of financial assets designated at fair value through profit or loss		13,911	-
Acquisition of investments accounted for using equity method		-	(3,000)
Proceeds from disposal of investments accounted for using equity method		1,990	-
Proceeds from capital reduction of investments accounted for using equity method		36,516	1,256
Proceeds from disposal of non-current assets held for sale		653,575	21,572
Acquisition of property, plant and equipment		(789,077)	(724,562)
Proceeds from disposal of property, plant and equipment		19,775	51,536
Acquisition of intangible assets		(6,782)	(2,467)
Decrease (increase) in other financial assets		348,110	(469,147)
Increase in other non-current assets		(396,021)	(55,463)
Net cash flows from loss of control of subsidiary		(7,210)	-
Net cash flows used in investing activities		(123,266)	(1,180,275)
Cash flows from financing activities:			
Increase in short-term borrowings		5,360,771	9,412,474
Decrease in short-term borrowings		(6,599,184)	(6,605,123)
Increase in short-term notes and bills payable		219,754	114,866
Proceeds from long-term borrowings		4,622,476	5,816,609
Repayments of long-term borrowings		(5,680,775)	(2,026,549)
Decrease in other financial liabilities		-	125
Cash dividends paid		(577,878)	(654,928)
Cash dividends paid to non-controlling interests		(160,635)	(311,425)
Change in non-controlling interests		(135,183)	(2,682,314)
Net cash flows (used in) generated from financing activities		(2,950,654)	3,063,735
Effect of exchange rate changes on cash and cash equivalents		(23,540)	(37,774)
Net increase in cash and cash equivalents		266,678	1,455,346
Cash and cash equivalents at beginning of year		3,630,012	2,174,666
Cash and cash equivalents at end of year	$	**3,896,690**	**3,630,012**

See accompanying notes to consolidated financial statements.

(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 and its subsidiaries (the "Group") are iron hardware manufacturing and casting, residents and commercial buildings developing, leasing and selling, international hotel servicing and department store retailing. Please refer to note 14, for the aforementioned information.

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

The accompanying consolidated 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

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Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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 Group applies this standard retrospectively with the cumulative effect, it needs not restate those contracts, but continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group 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 Group 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) Significant financing component—Advance receipts of real estate

Under the current standard, it is not required to calculate imputed interest for the advance receipts of real estate, therefore the Group does not adjust the consideration for the advance receipts. In accordance with IFRS15, the advance receipts should be assessed if it contains significant financial components in order to determine whether the consideration should be adjusted to reflect the effect of the time value of money. The Group assesses the difference between the consideration and the current sales price based on individual contracts. After the assessment, the advance receipts mentioned above are incorporated with the financial factor, but not contain the significant financing components. Therefore, the contract price needs not be adjusted to reflect the time value of money.

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CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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3) Incremental costs of acquiring customer contracts

The Group sales real estate under consignment. Under the prior regulations, the incremental costs of acquiring customer contracts should be capitalized and be recognized as expenditure at the time of selling the real estate. If it does not meet the requirements, the cost should be recognized as an expenditure when occurred. Under IFRS15, if the incremental costs of acquiring customer contracts is recoverable, it should be recognized as an asset, and be depreciated under pro rata basis based on the transfer of the presale house.

4) Commission from counters

For commissions earned by the Group, the Group 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 Group 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.

5) Impacts on financial statements

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

	December 31, 2018			January 1, 2018		
Impacted Line Items on the Consolidated 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**
Notes and accounts receivable, net	$ 4,306,821	-	4,306,821	4,648,196	4,178	4,652,374
Prepayments	296,988	(25,705)	271,283	522,399	(124,010)	398,389
Incremental costs of obtaining contracts	-	106,202	106,202	-	221,826	221,826
Investments accounted for using equity method	849,760	14,397	864,157	870,853	14,395	885,248
Impact on assets		**94,894**			**116,389**	
Non-current contract liabilities	$ -	(547,626)	(547,626)	-	(1,532,362)	(1,532,362)
Advance real estate receipts	(502,930)	502,930	-	(1,532,362)	1,532,362	-
Other current liabilities	(167,937)	44,696	(123,241)	(184,969)	-	(184,969)
Refund liabilities	-	-	-	-	(4,178)	(4,178)
Impact on liabilities		**-**			**(4,178)**	
Retained earnings	$ (7,096,201)	(63,439)	(7,159,640)	(5,878,089)	(75,788)	(5,953,877)
Non-controlling interest	(4,167,813)	(31,455)	(4,199,268)	(3,923,408)	(36,422)	(3,959,830)
Impact on equity		**(94,894)**			**(112,210)**	

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CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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Impacted Line Items on the Consolidated Income Statement	For the year ended December 31, 2018 Balances Prior to the Adoption of IFRS 15	Impact of Changes in Accounting Polices	Balance upon Adoption of IFRS 15
Selling expenses	$ (794,877)	(17,319)	(812,196)
Impact on profit before income tax		(17,319)	
Income tax expenses	(382,960)	3,464	(379,496)
Impact on Profit		**(13,855)**	
Basic earnings per share	**$ 4.80**	**(0.04)**	**4.76**
Diluted earnings per share	**$ 4.79**	**(0.04)**	**4.75**

Impacted Line Items on the Consolidated Income Statement	For the year ended December 31, 2018 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	$ 2,796,359	(17,319)	2,779,040
Adjustments:			
Prepayments	358,773	(98,305)	260,468
Incremental costs of obtaining contracts	-	115,624	115,624
Current contract liabilities	-	(984,736)	(984,736)
Advance real estate receipts	(1,029,432)	1,029,432	-
Other current liabilities, other	(32,929)	(44,696)	(77,625)
Impact on cash inflows generated from operations		17,319	
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.

As a result of the adoption of IFRS 9, the Group 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 Group' s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group 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.

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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 Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer to Note 4(g).

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(g).

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.

  - 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.

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

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 Group'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 cash equivalents	Loans and receivables	3,630,012	Amortized cost	3,630,012
Equity instruments	Available-for-sale (Note 1)	594	Mandatorily at FVTPL	594
	Carried at cost (Note 2)	138,784	FVOCI	193,456
Accounts receivable, net	Loans and receivables (Note 3)	4,724,586	Amortized cost	4,724,586
Other financial assets (Guarantee deposits paid)	Loans and receivables	300,573	Amortized cost	300,573

Note1: These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL, resulting in no change in those assets recognized, as well as the increase of $187 thousand and $187 thousand in other equity and retained earnings were respectively recognized on January 1, 2018.

Note2: These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting in an increase of $54,672 thousand in those assets recognized, as well as the increase of $53,470 thousand and $1,202 thousand in other equity and retained earnings were respectively recognized on January 1, 2018.

Note3: 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 on retained earnings as of January 1, 2018.

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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	2018.1.1 Non-controlling Interests
Fair value through profit or loss							
Beginning balance of FVTPL (IAS 39)	$ 44,378	-	-		-	-	-
Additions – equity instruments:							
From available for sale	-	594	-		187	(187)	-
Total	$ **44,378**	**594**	**-**	**44,972**	**187**	**(187)**	**-**
Fair value through other comprehensive income							
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 139,378	-	54,672		1,202	53,470	12
Subtraction – equity instruments:							
To FVTPL – required reclassification based on classification criteria	-	(594)	-		-	-	-
Total	$ **139,378**	**(594)**	**54,672**	**193,456**	**1,202**	**53,470**	**12**

(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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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 Group 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 Group 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.

2) Transition

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

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

On January 1, 2019, the Group 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 Group 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.

(Continued)

- 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 Group will have to recognize the new assets and liabilities for the operating leases of its offices, buildings, real estates, facilities and company cars. The Group estimated that the right-of-use assets, other non-current assets, other payables, and the lease liabilities to increase by $2,368,690 thousand, decrease by $113,250 thousand, decrease by $57,671 thousand, and increase by $2,370,978 thousand, respectively, as well as the retained earnings to decrease by $57,867 thousand on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, the Group 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 Group is not required to make any adjustments for leases where the Group is the intermediate lessor in a sub-lease.

(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 Group estimated that there was no impact on deferred tax liabilities and retained earnings as of January 1, 2019.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(Continued)

(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 Group assessed that the above IFRSs may not be relevant to the Group.

(4) Summary of significant accounting policies

The accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as" the Regulations") and the IFRSs, IASs, IFRIC and SIC endorsed by the Financial Supervisory Commission, ROC .

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

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

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

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entity operates. The Group's consolidated 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) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

(ii) List of subsidiaries in the consolidated financial statements

			Percentage Ownership		
Investor	**Name of Subsidiary**	**Principal Activity**	**December 31, 2018**	**December 31, 2017**	**Note**
The Company	United Elite Agents Limited (UEA)	Investing	100.00 %	100.00 %	-
The Company and Sunflower Investment	Atrans Precision Industries Co., Ltd. (Atrans Precision)	Vehicle parts processing	83.58 %	70.47 %	-
The Company	Sunflower Investment Co., Ltd. (Sunflower Investment)	Investing	99.00 %	99.00 %	-
The Company	The Hotel National Co., Ltd. (The Hotel National)	International tourist hotel services and other hotel business approved by the Ministry of Transportation and Communications	100.00 %	100.00 %	-
The Company	CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (CMAI)	Vehicle parts retailing	94.00 %	94.00 %	-

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Investor	Name of Subsidiary	Principal Activity	Percentage Ownership December 31, 2018	Percentage Ownership December 31, 2017	Note
The Company	CHINA METAL JAPAN COMPANY LIMITED (CMJ)	Cast iron product retailing	83.33 %	83.33 %	-
The Company	National Management Co., Ltd. (National Management)	Management and consulting services	100.00 %	100.00 %	-
The Company and Sunflower Investment	PUJEN Land Development Co., Ltd. (PUJEN Land Development)	Residents, commercial buildings and factories leasing and developing	71.72 %	71.47 %	-
The company and PUJEN Land Development	Pu Sheng Construction Co., Ltd. (Pu Sheng Construction)	Residents, commercial buildings and factories leasing and developing	50.00 %	50.00 %	-
The company and PUJEN Land Development	Shangrila Tourism Co., Ltd. (Shangrila Tourism)	Amusement park and hotel services	100.00 %	100.00 %	-
UEA	China Metal International Holdings Inc. (CMI)	Investing and cast iron product retailing	82.55 %	82.55 %	-
CMI	China Metal International (BVI) Limited (CMI (BVI)) (Note 1)	Investing	100.00 %	100.00 %	-
CMI	CMW (Cayman Islands) Co., Ltd. (CMW (C.I.))	Investing	100.00 %	100.00 %	-
CMI	CMB (H.K.) Co., Ltd. (CMB (H.K.))	Investing	100.00 %	100.00 %	-
CMB (H.K.)	Suzhou CMB Machinery Co., Ltd. (Suzhou CMB)	Cast iron product designing, manufacturing and retailing	100.00 %	100.00 %	-
CMI (BVI) (Note 1)	CMP (H.K.) Industry Co., Ltd. (CMP (H.K.))	Investing	100.00 %	100.00 %	-
CMP (H.K.)	Tianjin CMT Industry Co., Ltd. (Tianjin CMT)	Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling	100.00 %	100.00 %	-
CMP (H.K.)	Suzhou CMS Machinery Co., Ltd. (Suzhou CMS)	Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling	100.00 %	100.00 %	-
CMW (C.I.)	CMW (Tianjin) Industry Co., Ltd. (CMW (Tianjin))	Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling	100.00 %	100.00 %	-
CMW (C.I.)	CMI (Wu Han) Precision Machinery Co., Ltd. (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 the after sales services	100.00 %	- %	Note 4
CMJ	Qingdao Sourcing Specialists Trading Co., Ltd. (Qingdao Sourcing Specialists)	Cast iron product retailing	100.00 %	100.00 %	-
Atrans Precision	FAR HSING (SAMOA) ENTERPRISE CO., LTD. (FAR HSING (SAMOA))	Investing	100.00 %	100.00 %	-
Atrans Precision	Acore Material Technology Co., Ltd. (Acore Material)	Mechanical equipment, electronic parts and other equipment manufacturing	21.23 %	38.75 %	Note 3

(Continued)

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

Investor	Name of Subsidiary	Principal Activity	Percentage Ownership December 31, 2018	Percentage Ownership December 31, 2017	Note
PUJEN Land Development	CHINGENG Land Development Co., Ltd. (CHINGENG Land Development)	Residents, commercial buildings and factories leasing and developing	50.00 %	50.00 %	-
PUJEN Land Development	PUJEN CHENGMEI Land Development Co., Ltd. (PUJEN CHENGMEI Land Development)	Residents, commercial buildings and factories leasing and developing	70.00 %	70.00 %	-
PUJEN Land Development	PUCHIA Land Development Co., Ltd. (PUCHIA Land Development)	Residents, commercial buildings and factories leasing and developing	50.00 %	50.00 %	-
CMAI	Qinxin Trade Co., Ltd. (Qinxin Trade)	Vehicle parts retailing	100.00 %	100.00 %	-
CMAI	CMAI Holding, Inc. (CMAI Holding)	Investing	100.00 %	100.00 %	-
CMAI Holding	Pilot Drive LLC (Pilot)	Assets leasing	100.00 %	100.00 %	-
Pilot	CMAI INDUSTRIES INC (CMAI N.A.) (Note 2)	Vehicle parts retailing	100.00 %	100.00 %	-

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

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

Note 3: The group lost the control of Acore Material since they reselected their board members on April 30th, 2018 at the shareholders' meeting. As a result, Acore Material has not been included in the consolidated financial statements of the Groups since the day the group lost its control. Please refer to Note 6(h).

Note 4: Set up in the 4^{th} quarter of 2018.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group 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;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(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.

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 Group 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 Group 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.

Considering the current trend in economic environment, CMP (H.K.), the subsidiary, changed the functional currency from HKD to USD in 2017; CMP (H.K.), CMW (C.I.), CMB (H.K.), CMI (BVI) and CMI, the subsidiaries, changed the functional currency from USD to CNY in 2018. In accordance to IAS21 “The Effects of Changes in Foreign Exchange Rates”, the above mentioned subsidiaries recognized the amount under prospective method from the beginning of the year changed.

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

The major business activities are iron casting and manufacturing, steel bar selling, residents and commercial buildings developing, leasing and selling, international tourist hotel services and department store retailing. Except for the developing, leasing and selling residents and commercial building business, which the operating cycle is over one year and the regarding accounts are classified by its operating cycle, 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

(Continued)

(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 Group'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.

(f) 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.

(g) Financial instruments

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

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

The Group 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.

(Continued)

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 Group 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) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

(Continued)

4) Impairment of financial assets

The Group 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 Group 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 Group 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 Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

The time deposits held by the Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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;

(Continued)

- 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 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 Group 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 Group’s procedures for recovery of amounts due.

5) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Group 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 Group 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.

(Continued)

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

The Group classifies financial assets into the following categories by holding purpose: financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets measured at cost, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss. 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.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss 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. Such dividend income is included in other income.

Interest income from debt instrument investment is recognized into other income under non-operating income and expenses.

3) 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, other receivables and debt instruments without quoted in active market. 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.

4) 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 Group on terms that the Group 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 Group 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.

(Continued)

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.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to 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 recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed with the amount of the reversal recognized in profit or loss.

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.

5) 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.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

Debt or equity instruments issued by the Group 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 Group 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 Group 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.

(Continued)

(h) 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.

(i) 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 Group'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 Group'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.

(j) Investment in associates

Associates are those entities in which the Group 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.

(Continued)

The consolidated financial statements include the Group’ 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 Group, from the date that significant influence commences until the date that significant influence ceases. The Group 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 Group and an associate are eliminated to the extent of the Group’ s interest in the associate. Unrealized losses on transactions with associates are eliminated only under the circumstances of no impairment evidence.

When the Group’ 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 Group has an obligation or has made payments on behalf of the investee.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group’s proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group’ s ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(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 Group shall consider the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. The Group 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.

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 Group. 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	2~20years
3)	Transportation equipment	2~10years
4)	Office and other equipment	2~25years
5)	Leasehold improvement	2~39years

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.

(Continued)

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

(ii) Lessee

Leases in which the Group 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 Group'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.

At inception of an arrangement, the Group 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 Group 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 Group 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 Group's incremental borrowing rate. If the Group 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) Goodwill

1) Initial Recognition

Goodwill which results from acquisition of subsidiaries is included in intangible asset Please refer to Note 4(w), for the information of goodwill measurement at the initial recognition.

2) Subsequent Expenditure

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

(ii) Other intangible assets

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

(iii) 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.

(iv) 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 of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date when they are made available for use. The estimated useful lives of intangible assets for the current and comparative periods are as follows：

1)	Computer software	3~10 years
2)	Customer relationship	10 years
3)	Patent	8~9 years

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.

(p) Impairment of non-derivative financial assets

The carrying amounts of the Group'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 Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount

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.

For the purpose of impairment testing, goodwill acquired in a business combination, from the acquisition date, is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

The Group 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.

(Continued)

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(q) Provisions

A provision (includes warranties, financial security contract and contingencies from legal law suits) is recognized if, as a result of a past event, the Group 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 Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group’s main types of revenue are explained below.

1) Sale of goods

The Group 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 Group 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 Group has a right to an amount of consideration that is unconditional.

The Group grants its main customers the right to return the product within certain period. Therefore, the Group 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 Group reassesses the estimated amount of expected returns and discounts.

2) Land development and sale of real estate

The Group develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer and the transfer of properties to the customer is complete. If the Group only meets one of the two criteria at the reporting date, the revenue is recognized as well.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is, therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

3) Customer loyalty program

The Group 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 Group 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 Group 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.

4) Financing components

The Group 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, usually in the form of an executed sales agreement, that 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement, which is mainly at the time when the goods are loaded to the export ship and are shipped to the determined shipping point.

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 Group 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)

(i) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(ii) Costs to fulfil a contract

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 Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

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

3) 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 Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group 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 Group’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 Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, 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 Group. An economic benefit is available to the Group 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 Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity.

The Group 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 any 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 Group 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) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any change in the fair value of the liability is recognized as personnel expenses in profit or loss.

(Continued)

(v) 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.

(Continued)

(w) 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 excess the acquisition price, the Group 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 Group 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 Group 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 Group’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 Group’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.

(Continued)

(x) Earnings per share

The Group discloses the Company 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.

(y) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC 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.

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

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

In respect of commissions, the Group 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 Group does not obtain the ownership of the goods and does not obligate to the sale of the goods.

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

– The Group 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 consolidated financial statements is as follows:

(a) The loss allowance of accounts receivable

The Group 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 Group 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 Group 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 income under cash basis, which requires the Group’s management to determine the valuation method, major assumption and to calculate the equity value. In addition, impairment of goodwill depends on the Group to make subjective judgments which involves highly estimation uncertainty. Please refer to Note 6(l) 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 Group’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 Note 6(q) 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(s) for further description of the actuarial assumptions and sensitivity analysis.

The Group'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 Group 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 liabilities that are not based on observable market data.

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

(i) Note 6(ac), Financial instruments

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 11,826	11,340
Cash in banks	2,300,291	2,139,229
Time deposits	1,584,573	1,439,443
Cash equivalents	-	40,000
Cash and cash equivalents	**$ 3,896,690**	**3,630,012**

(b) Financial assets at fair value through profit or loss, available-for-sale, and measured at cost

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss		
Stocks listed on domestic markets	$ 2,960	44,378
Available- for- sale financial asset		
Stocks listed on domestic markets	-	594
Financial assets measured at cost		
Stocks unlisted on domestic markets	-	138,784
Total	**$ 2,960**	**183,756**

(i) The Group holds financial assets designated as at FVTPL and available-for-sale financial assets, which recognizes gain or loss on valuation of financial asset and OCI, respectively. Please refer to Note 6(u) and (ab) for the recognized gains or losses.

(ii) The Group 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 Group management believes the fair value cannot be measured reliably.

(iii) The Group disclosed the relative risk of financial instruments in Note 6(ac).

(iv) As of December 31, 2018 and 2017, the financial assets were not pledged 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**

(i) The Group 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 Group 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(ac) for the information of credit risk (including the impairment of debt instrument investments) and market risk.

(iv) As of December 31, 2018 and 2017, the financial assets were not pledged as collateral.

(d) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 252,172	241,123
Accounts receivable-measured as amortized cost	4,076,523	4,489,575
Subtotal	4,328,695	4,730,698
Less: Loss allowance	21,874	79,202
Less: Sales return and allowance	-	4,178
	4,306,821	4,647,318
Lease receivable	-	882
Less: Unearned financing income	-	4
	-	878
Total	**$ 4,306,821**	**4,648,196**

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The Group 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 as of December 31, 2018 is determined as follows:

	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	$ 4,006,785	0%	-
1 to 30 days past due	234,726	0%	-
31 to 90 days past due	44,072	0%~6%	495
91 to 120 days past due	13,484	3.34%~11.82%	1,554
121 days to a year past due	24,928	24.73%~62.68%	15,125
Over a year past due	4,700	100%	4,700
	$ 4,328,695		**21,874**

As of December 31, 2017, the Group 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	$ 175,420
31 to 90 days past due	61,281
Over 90 days past due	22,038
	$ 258,739

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	$ 79,202	86,734
Adjustment on initial application of IFRS 9	-	
Balance on January 1 under IFRS 9	79,202	
Impairment losses recognized (reversed)	470	(1,815)
Written-off	(57,506)	-
Foreign exchange losses	(292)	(5,717)
Balance on December 31	**$ 21,874**	**79,202**

The financial assets mentioned above were not pledged as collateral.

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The Group and the financial institutions entered into a non-recourse factoring contract. According to the contract, the Group need not assume the risks of unrecoverable losses, but the losses arising from unpaid advance payments and business disputes, which meet the requirements of derecognition of financial assets.

For the years ended December 31, 2018 and 2017, the information of the sale of non-recourse receivables is as follows:

	December 31, 2018				
Purchaser	**Derecognized Amount**	**Factoring Line**	**Advanced Amount**	**Range of Interest Rate**	**Collateral**
Entie Commercial Bank	$ 21,306	61,440	-	0.38%	-

	December 31, 2017				
Purchaser	**Derecognized Amount**	**Factoring Line**	**Advanced Amount**	**Range of Interest Rate**	**Collateral**
Entie Commercial Bank	$ 21,358	59,520	-	0.40%	-

The factoring receivables mentioned above were deemed as a sale at the time of transferring the rights and obligations to the buyer. As of December 31, 2018 and 2017, the Group's factoring receivables amounted to $21,306 thousand and $21,358 thousand, respectively. The aforementioned factoring amounts included the retained amount arising from business disputes and unpaid advance payments, which amounted to $21,306 thousand and $21,358 thousand under other current financial assets, as of December 31, 2018 and 2017, respectively.

(e) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 141,654	188,162
Work in process	156,961	223,614
Semi-finished goods	202,095	109,066
Finished goods	933,550	763,019
Merchandise	65,758	58,247
Land held for development	3,956,001	5,077,165
Properties and land held for sale	4,594,464	1,079,045
Construction-in-progress	3,910,113	7,295,753
Prepayments for land	10,788	700
Other inventories	320,188	200,346
	$ 14,291,572	14,995,117

For the years ended December 31, 2018 and 2017, the cost of goods sold and expenses amounted to $13,067,317 thousand and $10,694,039 thousand, respectively. For the years ended December 31, 2018 and 2017, the reversal gain from the sale of the beginning inventories amounted to $20,215 thousand and the loss for inventory obsolescence from the inventories write-down amounted to $54,318 thousand, respectively.

(Continued)

For the information of inventories pledged as collateral, as of December 31, 2018 and 2017, please refer to Note 8.

(f) Non-current assets held for sale

For the efficient usage and operation of assets, the Company resolved to sale the equipment in Tianjin, China, and the land, factory, and equipment of the steel product segment in the 2nd quarter of 2018, and the 1st and 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 is as follows:

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

For the years ended December 31 2018 and 2017, the loss from disposal equipment in Tianjin, China amounted to $2,999 thousand and $34,746 thousand, respectively.

In the 1st quarter of 2018, the Group 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 Note 12(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
Associates	$ 458,920	499,756
Joint ventures	405,237	371,097
	$ 864,157	**870,853**

(i) Associates

In 2017, the shares of Keng-Hsin Urban Renewal Co., Ltd. which were held by the Group declined from 30.09% to 30.00% for exercising employee common stock options, which issued new stocks at the amount of 366 thousand shares.

Due to the fact that the Group 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. (Amida Trustlink Assets) For the years ended December 31, 2018 and 2017, the unrealized investment losses amounted to $299 thousand and $310 thousand, respectively; and the accumulated unrealized investment losses, as of December 31, 2018 and 2017, amounted to $56,733 thousand and $56,434 thousand, respectively.

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The Group'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	$ 458,920	499,756

	For the Years Ended December 31	
	2018	2017
Attributable to the Group:		
(Loss) profit	$ (26,679)	148,766
Other comprehensive income	-	-
Comprehensive income	$ (26,679)	148,766

(ii) Joint ventures

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

	December 31, 2018	December 31, 2017
Carry amount of individually insignificant joint ventures' equity	$ 405,237	371,097

	For the years ended December 31	
	2018	2017
Attributable to the Group:		
Loss	$ (23,974)	(32,949)
Other comprehensive income	-	-
Comprehensive income	$ (23,974)	(32,949)

(iii) Pledge to secure

As of December 31, 2018 and 2017, the investments accounted for using equity method were not pledged as collateral.

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

(i) Acquisition of subsidiary

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

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

(Continued)

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

During the year of 2017, Atrans Precision invested Acore Material in cash by the amount of $8,000 thousand, which increased the equity investment of the Group from 35.94% to 38.75%. Howere, Atrans Precision did not participate in the capital increase of Acore Material in the year of 2018, which decreased the equity investment of the Group to 21.23%.

The information of the influence of subsidiaries' equities variation to the Group's equity is as follows:

	For the Year Ended December 31				
	2018		2017		
	PUJEN Land Development	Atrans Precision	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 from changes in ownership is not sufficient as of December 31, 2017, the remaining difference amounted to $385,619 thousand was debited to retained earnings.

(ii) Loss control of subsidiaries

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

(i) Subsidiaries with material non-controlling interests

Subsidiary	Major Operation Location／Registered Country	Proportion of Non-controlling Interests' Ownership and Voting Rights: December 31, 2018	December 31, 2017
CMI	H.K/Cayman Islands	17.45 %	17.45 %

The following information of the aforementioned subsidiaries has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustments made during the acquisition, and relevant difference in accounting principles between the Company and its subsidiaries as of acquisition date. Intra-group transactions are not eliminated in this information.

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(i) The financial information of CMI and its subsidiaries is summarized as follows:

	December 31, 2018	December 31, 2017
Current assets	$ 7,475,137	7,685,766
Non-current assets	5,746,270	5,816,271
Current liabilities	(2,795,563)	(2,485,175)
Non-current liabilities	(201,761)	(1,037,487)
Net assets	$ **10,224,083**	**9,979,375**
Non-controlling interest	$ **1,782,598**	**1,739,947**

	For the Years Ended December 31 2018	2017
Operating revenues	$ **10,785,587**	**10,457,044**
Profit	$ 1,090,041	1,126,899
Other comprehensive income	(243,078)	(487,086)
Comprehensive income	$ **846,963**	**639,813**
Profit attributable to non-controlling interests	$ **190,260**	**388,453**
Comprehensive income attributable to non-controlling interests	$ **147,843**	**220,599**

	For the Years Ended December 31 2018	2017
Net cash generated from operating activities	$ 1,776,392	2,062,827
Net cash used in investing activities	(418,541)	(892,518)
Net cash used in financing activities	(1,098,654)	(401,676)
Effect of exchange rate changes on cash and cash equivalents	15,219	(11,674)
Net increase in cash and cash equivalents	$ **274,416**	**756,959**
Cash dividends paid to non-controlling interests	$ **102,010**	**259,825**

In accordance with the law of Hong Kong and Cayman Islands, UEA was privatized through the joint venture plan on the approval of the Board of Directors meeting on May 27, 2017. The Company completed the privatization plan and increased the indirect investment in Mainland China amounted to US $87,813 thousand after the approval of the Investment Commission, Ministry of Economic Affairs (the MOEAIC) on July 26, 2017. According to the Supreme Court of Cayman Islands order, the special shareholder meeting was held on August 30, 2017. On September 22, 2017 (in the time zone of Cayman Islands), the Supreme Court of Cayman Islands approved the privatization plan and confirmed the deduction of share capital.

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(j) Property, plant and equipment

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

	Land	Buildings	Machinery	Office Equipment	Transportation Equipment	Leasehold Improvement	Other Equipment	Prepayments for Equipment and Construction in Progress	Total
Cost:									
Balance on January 1, 2018	$ 3,418,874	3,548,424	9,150,381	215,621	64,960	151,348	637,410	353,827	17,540,845
Additions	2,651	10,220	214,896	12,182	4,710	72,063	71,696	444,222	832,640
Disposals	(5,690)	(60,530)	(228,260)	(23,158)	(2,780)	(44,124)	(42,477)	-	(407,019)
Reclassification	332,738	12,410	(7,895)	(89,644)	(1,440)	-	186,977	(429,225)	3,921
Subsidiaries lost control	-	(3,750)	(57,378)	(988)	-	-	(1,109)	-	(63,225)
Influence from exchange rates	262	(50,360)	(174,254)	(1,142)	(777)	(3,391)	(8,599)	(6,496)	(244,757)
Balance on December 31, 2018	**$ 3,748,835**	**3,456,414**	**8,897,490**	**112,871**	**64,673**	**175,896**	**843,898**	**362,328**	**17,662,405**
Balance on January 1, 2017	$ 3,558,099	3,631,576	9,462,195	221,422	73,021	136,572	581,543	291,458	17,955,886
Additions	62,402	6,849	73,939	10,287	3,265	32,681	25,380	499,349	714,152
Disposals	(15,321)	(7,467)	(192,514)	(16,523)	(11,979)	(15,976)	(9,799)	-	(269,579)
Reclassification	(185,627)	(50,549)	(135,022)	916	1,472	-	45,388	(435,486)	(758,908)
Influence from exchange rates	(679)	(31,985)	(58,217)	(481)	(819)	(1,929)	(5,102)	(1,494)	(100,706)
Balance on December 31, 2017	**$ 3,418,874**	**3,548,424**	**9,150,381**	**215,621**	**64,960**	**151,348**	**637,410**	**353,827**	**17,540,845**
Accumulated depreciation:									
Balance on January 1, 2018	$ -	1,231,336	5,562,744	178,222	48,411	74,259	394,126	-	7,489,098
Depreciation	-	121,461	531,983	11,910	4,973	42,134	74,131	-	786,592
Impairment loss	-	-	1,626	-	-	-	265	-	1,891
Disposals	-	(60,465)	(205,129)	(23,067)	(2,691)	(44,124)	(40,057)	-	(375,533)
Reclassification	-	(6,069)	(395,498)	(82,811)	(859)	-	110,748	-	(374,489)
Subsidiaries lost control	-	(996)	(12,019)	(404)	-	-	(352)	-	(13,771)
Influence from exchange rates	-	(16,765)	(106,750)	(923)	(583)	(1,405)	(5,368)	-	(131,794)
Balance on December 31, 2018	**$ -**	**1,268,502**	**5,376,957**	**82,927**	**49,251**	**70,864**	**533,493**	**-**	**7,381,994**
Balance on January 1, 2017	$ -	1,138,396	5,712,356	163,547	54,216	60,987	364,371	-	7,493,873
Depreciation	-	119,498	512,204	31,264	5,800	29,965	42,440	-	741,171
Impairment loss	-	-	1,858	-	-	-	-	-	1,858
Disposals	-	(7,434)	(175,261)	(16,379)	(10,963)	(15,976)	(8,996)	-	(235,009)
Reclassification	-	(13,211)	(462,893)	-	-	-	-	-	(476,104)
Influence from exchange rates	-	(5,913)	(25,520)	(210)	(642)	(717)	(3,689)	-	(36,691)
Balance on December 31, 2017	**$ -**	**1,231,336**	**5,562,744**	**178,222**	**48,411**	**74,259**	**394,126**	**-**	**7,489,098**
Carrying value:									
Balance on December 31, 2018	**$ 3,748,835**	**2,187,912**	**3,520,533**	**29,944**	**15,422**	**105,032**	**310,405**	**362,328**	**10,280,411**
Balance on January 1, 2017	**$ 3,558,099**	**2,493,180**	**3,749,839**	**57,875**	**18,805**	**75,585**	**217,172**	**291,458**	**10,462,013**
Balance on December 31, 2017	**$ 3,418,874**	**2,317,088**	**3,587,637**	**37,399**	**16,549**	**77,089**	**243,284**	**353,827**	**10,051,747**

(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 Group's long-term loan and financing guarantee.

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(ii) For the efficient usage and operation of assets, the Group resolved to sale the equipment in Tianjin, China and the land, factory, and equipment of the steel product department in Pingzhen, Taoyuan, in the 2nd quarter of 2018, and the 1st and 4th quarter of 2017. 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, please refer to Note 6(f).

(iii) The land held by the Group is located at Xinfeng Tounship Kengzikou and Zaoqiao Towhship Niclan Lake. According to the laws and regulations, companies cannot be registered as landowners, due to the usage of the land is registered for farming, graveyard and conservation. 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 Group retain all rights and obligations of the land, and pledged the land as collateral for the Group. 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	$ 44,299	44,299

(k) Investment property

The movements in the investment property is as follows:

	Land	Buildings	Total
Cost or deemed cost:			
Balance on January 1, 2018	$ 820,742	105,811	926,553
Reclassification from inventories	40,016	41,762	81,778
Reclassification to property, plant and equipment	(332,739)	(33,956)	(366,695)
Balance on December 31, 2018	$ 528,019	113,617	641,636
Balance on January 1, 2017	$ 787,062	91,748	878,810
Reclassification from inventories	33,680	14,063	47,743
Balance on December 31, 2017	$ 820,742	105,811	926,553
Depreciation and impairment loss:			
Balance on January 1, 2018	$ -	55,476	55,476
Depreciation	-	6,696	6,696
Reclassification to property, plant and equipment	-	(24,793)	(24,793)
Balance on December 31, 2018	$ -	37,379	37,379
Balance on January 1, 2017	$ -	47,932	47,932
Depreciation	-	7,544	7,544
Balance on December 31, 2017	$ -	55,476	55,476

(Continued)

	Land	Buildings	Total
Carrying amounts:			
Balance on December 31, 2018	$ 528,019	76,238	604,257
Balance on January 1, 2017	$ 787,062	43,816	830,878
Balance at December 31, 2017	$ 820,742	50,335	871,077
Fair value:			
Balance on December 31, 2018			$ 1,006,666
Balance on December 31, 2017			$ 938,704

Please refer to Note 12(c) for the information of depreciation expense of investment properties. Please refer to Note 6(r) for the information of rental revenue and other direct operating expense.

Investment properties comprise a number of commercial properties that are leased to third parties. Each leasing contact includes an original non-cancelable lease term of one to three years, and the lease term of the renewal is available for discussion with the lessee. The contingent rent is not charged in the contract. Please refer to Note 6(r) for the regarding information.

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 details of investment properties pledged as collateral, please refer to Note 8.

(l) Intangible assets

The movements in the costs of intangible assets, amortization, and impairment loss of the Group are as follows:

	Goodwill	Patent	Client relationship	Computer software	Total
Costs:					
Balance on January 1, 2018	$ 405,697	66,207	239,007	28,750	739,661
Acquisitions	-	-	-	6,782	6,782
Reclassification	-	-	-	585	585
Disposal	-	-	-	(11,784)	(11,784)
Influence from exchange rates	(355)	(1,233)	(4,447)	-	(6,035)
Balance on December 31, 2018	$ 405,342	64,974	234,560	24,333	729,209

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	Goodwill	Patent	Client relationship	Computer software	Total
Balance on January 1, 2017	$ 436,772	71,747	259,004	25,182	792,705
Acquisitions	-	-	-	2,467	2,467
Reclassification	-	-	-	1,427	1,427
Disposal	-	-	-	(326)	(326)
Influence from exchange rates	(31,075)	(5,540)	(19,997)	-	(56,612)
Balance on December 31, 2017	**$ 405,697**	**66,207**	**239,007**	**28,750**	**739,661**
Accumulated amortization and impairment loss:					
Balance on January 1, 2018	$ -	60,958	182,970	17,397	261,325
Amortization	-	5,254	23,924	4,216	33,394
Disposal	-	-	-	(11,687)	(11,687)
Influence from exchange rates	-	(1,238)	(3,872)	-	(5,110)
Balance on December 31, 2018	**$ -**	**64,974**	**203,022**	**9,926**	**277,922**
Balance on January 1, 2017	$ -	57,434	172,379	14,321	244,134
Amortization	-	8,137	24,439	3,402	35,978
Disposal	-	-	-	(326)	(326)
Influence from exchange rates	-	(4,613)	(13,848)	-	(18,461)
Balance on December 31, 2017	**$ -**	**60,958**	**182,970**	**17,397**	**261,325**
Carrying value:					
Balance on December 31, 2018	**$ 405,342**	**-**	**31,538**	**14,407**	**451,287**
Balance on January 1, 2017	**$ 436,772**	**14,313**	**86,625**	**10,861**	**548,571**
Balance on December 31, 2017	**$ 405,697**	**5,249**	**56,037**	**11,353**	**478,336**

The Group conducts impairment assessment on goodwill at least once a year on the reporting date. The goodwill on December 31, 2018 and 2017 arose from the subsidiaries UEA and CMI, which held 100% equity of CMW (C.I.) as a long-term investment. The book value of long-term equity investment amounted to US $75,157 thousand. The Company used the discounted cash flow method of the income method under CMW (C.I.) operating income for evaluation method, and used free cash flows as the criterion for measuring the recoverable cash flow of goodwill. The recoverable amounts on December 31, 2018 and 2017, amounted to US $142,816 thousand and US $132,035 thousand, were both higher than the book value of the equity investment on the evaluation date, which were resulting in no impairment loss. These recoverable amounts were estimated by using discounted cash flows, which were classified as Level 3 for using significant unobservable inputs.

The discount rate is based on the industry-weighted average cost of capital. The discount rates for the years of 2018 and 2017 were 14.74% and 13.14%, respectively. The cash flow estimates were based on the five-year financial budget suggested by the management, and were extrapolated to subsequent years with a flat growth rate of 0%, and a maintained profit rate of 19~23% in the year of 2018 and 2017. The values of the aforementioned key assumptions are the management's assessment indicators of the future trends of the relevant industry, while taking into account of historical information from internal and external sources.

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(m) Prepayment for long-term land lease

The Group's long-term land lease is the usage rights of lands located in Taichung and China area, which is recognized under other non-current assets. The amortization period of the contracts is 40 to 50 years, it depends on each contract.

	Payment for Long-term Land Lease
Costs:	
Balance on January 1, 2018	$ 396,625
Acquisition	74,487
Influence from exchange rates	(7,588)
Balance on December 31, 2018	**$ 463,524**
Balance on January 1, 2017	$ 321,668
Additions	78,000
Influence from exchange rates	(3,043)
Balance on December 31, 2017	**$ 396,625**
Accumulated amortization:	
Balance on January 1, 2018	$ 71,886
Amortization	8,568
Influence from exchange rates	(1,620)
Balance on December 31, 2018	**$ 78,834**
Balance on January 1, 2017	$ 63,991
Amortization	8,508
Influence from exchange rates	(613)
Balance on December 31, 2017	**$ 71,886**
Carrying value:	
Balance on December 31, 2018	**$ 384,690**
Balance on January 1, 2017	**$ 257,677**
Balance on December 31, 2017	**$ 324,739**

As of December 31, 2018 and 2017, there were no prepayments for long-term land lease pledged as collateral for the Group.

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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(n) Other non-current financial assets

	December 31, 2018	December 31, 2017
Debt obligation receivable－The Splendor Hospitality International Co., Ltd.	$ 575,000	575,000
Debt obligation receivable－Chin Ling Steel Co., Ltd.－non-guaranteed	23,250	23,250
Less: Accumulated impairment－Debt obligation receivable －Chin Ling Steel Co., Ltd.	(23,250)	(23,250)
Refundable deposits	107,985	106,241
	$ 682,985	**681,241**

(i) In June, 2006, the Group and Prince Housing and Development Co., Ltd. (Prince Housing and Development) entered into assignment of debt agreement with Amida Trustlink Assets which the Group and Prince Housing and Development each owned half of the obligation. The Group and Prince Housing and Development each injected 50% and obtained the major mortgages, collateral, 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 Group 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 Group's right of receivables transferred from Taichung Port Splendor to The Splendor Hospitality International. In December 2006, the Group 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 Group and Prince Housing and Development equally. The details of total debt obligation receivable and obligation cost after deducted the received amount in 2007 is 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 amounted to $3,960,000 thousand, the residual mortgage attributed to the Group amounted to $1,596,500 thousand.	The building of The Splendor Hospitality International (the 2nd security)

(Continued)

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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	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 amounted to $3,960,000 thousand, the residual mortgage attributed to the Group 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.

(o) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 892,507	1,173,427
Secured bank loans	5,293,613	6,306,016
Notes and bills payable	434,453	214,839
Total	**$ 6,620,573**	**7,694,282**
Unused credit limit	**$ 8,392,251**	**7,091,139**
Range of interest rates	**0.91%~3.50%**	**0.91%~2.63%**

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

(p) 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, USD	1.13%~2.63%	2019~2020	$ 2,261,183
Secured bank loans	NTD, HKD	1.00%~3.75%	2019~2031	6,764,916
Less: Current portion				(1,062,662)
Unamortized long-term loans costs				(201)
Total				**$ 7,963,236**
Unused credit limit				**$ 2,088,619**

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	December 31, 2017			
	Currency	Range of Interest Rates	Term	Amount
Unsecured bank loans	NTD, USD	1.12%~2.62%	2018~2020	$ 2,831,600
Secured bank loans	NTD, HKD	1.00%~3.70%	2018~2031	7,135,968
Less: Current portion				(1,724,986)
Unamortized long-term loans costs				(178)
Total				$ 8,242,404
Unused credit limit				$ 1,034,476

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

(q) Provisions

	Warranties	Financial Guarantee Contracts	Legal Matters	Total
Balance on January 1, 2018	$ 369	10,359	249,052	259,780
Provision	-	60,732	-	60,732
Payment	(319)	-	(11,700)	(12,019)
Reversal	-	-	(1,300)	(1,300)
Unwinding of discount	-	(15,133)	-	(15,133)
Balance on December 31, 2018	**$ 50**	**55,958**	**236,052**	**292,060**
Current	**$ 50**	**-**	**-**	**50**
Non-current	**$ -**	**55,958**	**236,052**	**292,010**
Balance on January 1, 2017	$ 561	22,566	249,052	272,179
Provision	-	1,478	-	1,478
Payment	(192)	-	-	(192)
Unwinding of discount	-	(13,685)	-	(13,685)
Balance on December 31, 2017	**$ 369**	**10,359**	**249,052**	**259,780**
Current	**$ 369**	**-**	**13,000**	**13,369**
Non-current	**$ -**	**10,359**	**236,052**	**246,411**

(i) Warranties

The Group’s warranties are mainly related to the sales of construction projects. They are estimated based on the historical data and the expectation to occur after 3 to 5 years of selling the construction projects.

(ii) Financial guarantee contracts

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

(iii) Legal

Please refer to Note 9(b) for the information of estimated legal provisions and losses.

The withholding tax administrative remedy of the subsidiary, Sunflower Investment, has been affirmed on June 28, 2018, which the final assessment of tax and penalty was in the amounted to $29,468 thousand. The subsidiary has paid the remaining penalty amounted to $11,700 thousand.

(r) Operating leases

(i) Lessee

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

		December 31, 2018	December 31, 2017
Less than five year	$	1,094,658	1,058,480
Over five years		1,817,220	1,996,663
	$	**2,911,878**	**3,055,143**

The Group 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. Parts of the lease contracts are adjusted in the year of eleventh. There will be additional rental payments for the Group when the annual consumer price index (CPI) is greater than the rental adjustments in the first five years.

For the years ended December 31, 2018 and 2017, the operating lease expenses amounted to $232,188 thousand and $228,835 thousand, respectively.

(ii) Lessor

The Group leases out investment properties under operating lease, please refer to Note 6(k) for the regarding information. The receivables from future minimum lease payments of the non-cancellable leases are as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	10,154	11,786
One to five years		2,576	7,140
	$	**12,730**	**18,926**

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For the years ended December 31, 2018 and 2017, rental revenues from investment properties amounted to $9,775 thousand and $19,220 thousand, respectively. The equipment and maintenance costs arising from the investment properties (recognized under "Operating costs") are as follows:

	For the Years Ended December 31	
	2018	**2017**
Lease-out property	$ 11	11

(s) 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	$ 153,452	168,483
Fair value of plan assets	(78,720)	(78,697)
Asset ceiling	-	-
Net defined benefit liabilities	**$ 74,732**	**89,786**

Employee benefit liabilities are listed as follows:

	December 31, 2018	**December 31, 2017**
Short-term paid leave liabilities and other liabilities	**$ 33,089**	**21,034**

The Group 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 Group 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 Group's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to $78,690 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.

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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	$ 168,484	189,703
Current service costs and interest	5,232	4,310
Remeasurements of the net defined benefit liability		
—Return on plan assets (not including current interest cost)	1,608	1,189
—Actuarial gains from changes in demographic assumptions	-	56
—Actuarial gains from changes in financial assumption	3,189	4,858
Prior service cost and gain or loss from the settlement	-	(419)
Benefits paid by the plan	(25,061)	(31,213)
Defined benefit obligation on December 31	**$ 153,452**	**168,484**

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	$ 78,697	83,622
Interest revenue	1,130	992
Remeasurements of the net defined benefit liability		
—Return on plan assets (not including current interest cost)	2,102	(262)
Contributed amount	14,118	13,263
Contribution from employer	887	740
Benefits paid by the plan	(18,214)	(19,658)
Fair value of plan asset on December 31	**$ 78,720**	**78,697**

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

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CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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5) Expenses recognized in profit and loss

The Group'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	$ 1,370	1,558
Net interest on net defined benefit liability	971	1,326
Prior service cost and gain or loss from the settlement	-	1,318
	$ 2,341	**4,202**

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

The Group'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	$ 43,870	45,809
Recognized during the year	17,744	(1,939)
Cumulative amount on December 31	**$ 61,614**	**43,870**

7) Actuarial assumptions

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

	2018.12.31	**2017.12.31**
Discount rate	1.000%~1.375%	1.000%~1.400%
Future salary increase rate	1%~3%	1%~3%

Based on the actuarial report, the Group is expected to make a contribution payment of $14,465 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 between 8.31 to 14.66 years.

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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	$ (2,908)	3,013
Future salary increase rate	4,438	(4,132)
December 31, 2017		
Discount rate	(3,274)	3,264
Future salary increase rate	4,992	(4,628)

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

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2018 and 2017 amounted to $75,531 thousand and $79,769 thousand, respectively.

As of December 31, 2018 and 2017, the Group’ s employee benefits retirement expenses amounted to $387 thousand and $7,000 thousand, respectively.

(t) Income tax

(i) 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.

(ii) Applicated legal tax rates of the foreign subsidiaries: China: 15%~25%; Japan: 33.24%; the USA: 27%～29.7%.

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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(iii) The income tax expense for the years ended December 31, 2018 and 2017 are as follows:

	For the Years Ended December 31	
	2018	**2017**
Current income tax expense		
Current period incurred	$ 265,155	311,366
Land value increment taxes	101,243	17,504
10% surtax on undistributed earnings	-	22,906
Adjustment for prior periods	(4,097)	(12,407)
	362,301	339,369
Deferred tax expense (benefit)	24,123	(46,602)
Income tax expense (not including tax expense arose from disposal of discontinued operation)	**$ 386,424**	**292,767**
Income tax expense from continuing operations	386,424	292,767
Income tax expense from discontinued operation	11,075	-
	$ 397,499	**292,767**

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

	For the Years Ended December 31	
	2018	**2017**
Profit before income tax	$ 2,406,995	1,416,271
Income tax expense at domestic statutory tax rate	481,399	240,766
Difference of the applicable tax rate between the parent company and its subsidiaries	32,906	34,915
Investment (loss) gain accounted for using equity method	(10,131)	19,689
Domestic investment income under Article 42 of Income Tax Act	(7,644)	(5,054)
Land tax exemption	(329,355)	(1,488)
Difference between financial and taxable filing income	14,426	(12,154)
(Gain) loss on valuation of financial asset	(2,864)	72
Changes in tax rates	19,742	-
Land value increment tax	112,318	17,504
10% surtax on undistributed earnings	-	22,906
Prior underestimate income tax	(4,097)	(12,407)
Others	90,799	(11,982)
Income tax expense	**$ 397,499**	**292,767**

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(iv) 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	$ 10,959	13,230
Tax losses	148,722	142,305
	$ 159,681	**155,535**

The ROC Income Tax Act allows the carry forward of net losses, as assessed by the tax authorities, to offset against taxable income. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize as temporary difference.

As of December 31, 2018, the Group had not recognized the prior years' loss carryfowards as deferred tax assets, and the expiry years' thereof are as follows:

Unused Balance	Expiry Year
$ 40,560	2019
51,680	2020
31,611	2021
189,865	2022
50,697	2023
43,267	2024
43,892	2025
49,857	2026
62,065	2027
101,017	After 2028
$ 664,511	

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:

	For the Years Ended December 31	
	2018	2017
Deferred tax assets:		
Balance on January 1	$ 28,222	25,411
(Debit) Credit on income statement	(130)	2,811
Balance on December 31	**$ 28,092**	**28,222**

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	For the Years Ended December 31	
	2018	**2017**
Deferred tax liabilities:		
Balance on January 1	$ 622,456	666,247
Debit (Credit) on income statement	23,993	(43,791)
Balance on December 31	**$ 646,449**	**622,456**

(v) Under income tax return filing of the Group, the income tax returns of the Company had been assessed and approved by the Tax Authority through 2015, other domestic consolidated subsidiaries had been assessed and approved through 2016. The Company and Sunflower Investment did not agree on the proposed tax adjustments from the Tax Authority, and filed the petition of administration. Please refer to Note 9(b) for the details of the petition.

(u) 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 amounted to $3,852,521 thousand and the capital that arose from the shares had all been retrieved.

The reconciliation of the outstanding shares for the years ended December 31, 2018 and 2017 is as follows:

	For the Years Ended December 31	
	2018	**2017**
December 31 (the same as beginning balance)	**385,252**	**385,252**

(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 of	426	-
Changes in equity of associates and joint ventures accounted for using equity method	2,279	-
	$ 1,525,666	**1,522,961**

(Continued)

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.

(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's stock dividends cannot be higher than 70% of the total dividend.

1) Legal reserve

In accordance with the Amended Companies Act 10% 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.

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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:

	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 FVOCI	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Non-controlling Interest	Total
Balance on January 1, 2018	$ 392,282	-	187	3,923,408	4,315,877
Effects of retrospective application	-	53,470	(187)	36,434	89,717
Balance on January 1, 2018, after adjustments	392,282	53,470	-	3,959,842	4,405,594
Profit attributable to non-controlling interests	-	-	-	545,969	545,969
Exchange differences on foreign operations	(255,991)	-	-	(41,560)	(297,551)
Unrealized gain on financial assets measured at FVOCI	-	16,309	-	-	16,309
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	-	-	28,133	28,133
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	3,036	3,036
Changes in non-controlling interest	-	-	-	(135,183)	(135,183)
Cash dividends paid to non-controlling interests	-	-	-	(160,635)	(160,635)
Others	-	-	-	(334)	(334)
Balance on December 31, 2018	$ 136,291	69,779	-	4,199,268	4,405,338
Balance on January 1, 2017	$ 270,483	-	190	6,262,042	6,532,715
Profit attributable to non-controlling interest	-	-	-	417,452	417,452
Exchange differences on foreign operations	110,582	-	-	(170,477)	(59,895)
Unrealized gain on available-for-sale financial assets	-	-	(3)	(1)	(4)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	-	-	411,594	411,594
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	(176)	(176)
Effect from variation of subsidiaries' functional currency	11,217	-	-	(2,372)	8,845
Changes in non-controlling interests	-	-	-	(2,682,314)	(2,682,314)
Cash dividends paid to non-controlling interests	-	-	-	(311,425)	(311,425)
Other	-	-	-	(915)	(915)
Balance on December 31, 2017	$ 392,282	-	187	3,923,408	4,315,877

(Continued)

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(v) Share-based payment

(i) Subsidiary—CMI

1) Information of the employee stock options

	For the Year Ended December 31 2017	
	Weighted Average Exercise Price (HKD)	Number of Options (in Thousands of Shares)
Outstanding on January 1	$ 2.52	6,070
Forfeited during the year	2.52	(6,070)
Exercised during the year	-	-
Outstanding on December 31	-	-
Exercisable on December 31	-	-

2) Employee expenses and liabilities

For the year ended December 31, 2017, the expense resulting from the share-based payment transactions are as follows:

	For the Year Ended December 31 2017
Expenses resulting from employee stock option	$ -

(ii) Subsidiary—PUJEN Land Development

1) Information of the employee stock options

	For the Year Ended December 31 2017	
	Weighted Average Exercise Price (NTD)	Number of Options (in Thousands of Shares)
Outstanding on January 1	$ 21.50	1,289
Forfeited during the year	-	-
Expired during the year	-	(1,289)
Outstanding on December 31	-	-
Exercisable on December 31	-	-

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2) Employee expenses and liabilities

PUJEN Land Development did not incur expenses and liabilities from share-based payment transactions for the year ended December 31, 2017.

(w) Earnings per share

The Group'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**
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**

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(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the Years Ended December 31			
	2018			
	Metal Forming Segment	Real Estate Development Segment	Lifestyle Hospitality Segment	Total
Major geographic markets:				
Taiwan	$ 538,103	4,156,083	753,975	5,448,161
United States	2,948,453	-	-	2,948,453
Japan	1,325,469	-	-	1,325,469
China	7,564,525	-	-	7,564,525
Europe	328,542	-	-	328,542
South America	14,803	-	-	14,803
Others	455,582	-	-	455,582
	$ 13,175,477	4,156,083	753,975	18,085,535
Major product/service lines:				
Iron casting hardware	$ 13,121,057	-	-	13,121,057
Construction	-	4,092,389	-	4,092,389
Counter commissions	-	-	337,214	337,214
Others	54,420	63,694	416,761	534,875
	$ 13,175,477	4,156,083	753,975	18,085,535

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(y) 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	$ 4,328,695	4,726,520
Less: Loss allowance	(21,874)	(79,202)
Total	$ 4,306,821	4,647,318

	December 31, 2018	January 1, 2018
Contract assets	$ -	-
Contract liabilities–Advance real estate receipts	$ 502,930	1,532,362
Contract liabilities–Advance receipts	$ 44,696	-

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

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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 $1,113,131 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.

(y) Revenue

The information of revenues are listed as follows:

	For the Year Ended December 31, 2017		
	Continuing Operation	**Discontinued Operation**	**Total**
Sale of goods	$ 14,201,590	1,165,043	15,366,633
Counter commissions	254,058	-	254,058
Rental revenue	62,204	-	62,204
Service revenue	57	-	57
	$ 14,517,909	**1,165,043**	**15,682,952**

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

(z) 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.

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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.

(aa) Net other income and expenses

The information of net other income and expenses is listed as follows:

	For the Years Ended December 31	
	2018	2017
Rental revenue	$ 6,360	5,997

(ab) Non-operating income and expenses

(i) Other income

The information of other income is listed as follows:

	For the Years Ended December 31	
	2018	2017
Interest income		
Interest income from bank deposits	$ 47,046	22,773
Interest income from financial assets measured at amortized cost	15,133	13,685
Total interest income	62,179	36,458
Dividend income	38,980	31,972
Others	95,628	108,609
Total other income	$ 196,787	177,039

(ii) Other gains and losses

The information of other gains and losses is listed as follows:

	For the Years Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ (11,711)	(6,390)
Gain on disposal of other assets	-	30
Loss on disposal of non-current asset held for sale	(2,999)	(37,680)
Foreign exchange gains (losses)	68,694	(202,792)
Gains (losses) on financial assets at FVTPL	14,321	(426)
Impairment loss on property, plant and equipment	(1,891)	(1,858)
Other losses	(683)	(8,169)
Net amount of other gains and losses	$ 65,731	(257,285)

(Continued)

(iii) Finance costs

The information of interest costs is listed as follows:

	For the Years Ended December 31	
	2018	2017
Interest expense	$ 263,369	141,679
Other finance costs	1,388	1,450
Net amount of finance costs	**$ 264,757**	**143,129**

For the years ended December 31, 2018 and 2017, the capitalized interest costs amounted to $53,180 thousand and $92,650 thousand, respectively.

(ac) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amounts of financial assets and contract assets represent 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.

3) Credit risks of receivables and debt securities

For the information of credit risk exposure of note and trade receivables, please refer to Note 6(d). Other financial assets at amortized cost include other receivables and time deposits (previously classified as held-to-maturity investments and bond investment without an active market on December 31, 2017).

All of these financial assets mentioned above are considered to be low risk, therefore, the impairment provision recognized during the period was limited to 12 months expected losses. There were no impairment on the financial assets in 2018.

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(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 6 Months	6-12 Months	1-2 Years	2-5 Years	Over 5 Years
December 31, 2018						
Non-derivative financial liabilities						
Bank borrowings	$ 16,676,375	3,028,214	2,110,393	6,045,199	5,395,124	97,445
Notes and accounts payables (including related parties)	2,556,620	2,556,620	-	-	-	-
Other payables (including related parties)	778,027	778,027	-	-	-	-
	$ 20,011,022	6,362,861	2,110,393	6,045,199	5,395,124	97,445
December 31, 2017						
Non-derivative financial liabilities						
Bank borrowings	$ 18,146,280	2,537,487	4,462,892	5,965,248	4,446,135	734,518
Notes and accounts payables (including related parties)	2,305,330	2,305,330	-	-	-	-
Other payables (including related parties)	758,760	758,760	-	-	-	-
	$ 21,210,370	5,601,577	4,462,892	5,965,248	4,446,135	734,518

The Group 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 Group'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:NTD	$ 39,633	30.72	1,217,524	37,142	29.76	1,105,338
USD:CNY	95,929	6.87	2,946,939	117,582	6.51	3,507,286
USD:JPY	553	110.42	16,994	618	112.64	18,403
EUR:NTD	596	35.20	20,975	495	35.57	17,606
EUR:CNY	1,834	7.87	64,567	492	7.78	17,489
EUR:USD	-	-	-	1,248	1.20	44,385
JPY:NTD	95,615	0.2782	26,600	85,917	0.2642	22,699
JPY:USD	-	-	-	186,284	0.0089	49,216
JPY:CNY	24,849	0.0622	6,913	-	-	-
CNY:USD	-	-	-	58,046	0.15	265,272
CAD:USD	-	-	-	551	0.797	13,056
HKD:USD	6,357	0.13	24,918	-	-	-

(Continued)

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	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial liabilities						
Monetary items						
USD:CNY	117,735	6.87	3,616,810	902	6.51	26,857
EUR:USD	-	-	-	942	1.20	33,500
EUR:CNY	975	7.87	34,330	-	-	-
HKD:USD	502,560	0.13	1,970,035	558,400	0.13	2,127,504
SGD:USD	-	-	-	813	0.75	18,098

2) Sensitivity analysis

The Group'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 $10,366 thousand and $23,695 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

As the Group 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, amounted to $68,694 thousand and $(202,792), respectively.

(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 Group's net income will decrease /increase by $117,625 thousand and $78,457 thousand for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate loans.

(Continued)

(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 basis, and other variables considered in the analysis remain the same:

	For the years ended December 31			
	2018		2017	
	Other Comprehensive Income (net of tax)	Net Income (Loss) (net of tax)	Other Comprehensive Income (net of tax)	Net Income (Loss) (net of tax)
Increase 10%	$ 20,782	296	59	4,438
Decrease 10%	$ (20,782)	(296)	(59)	(4,438)

(vi) Fair value of financial instruments

1) Fair value hierarchy

The Group measured its financial assets and liabilities at fair value through profit or loss financial assets at FVOCI (available-for-sale) on a recurring basis. The carrying amount and fair value of the Group'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
Financial assets at FVTPL	$ 2,960	2,960	-	-	2,960
Non-current financial assets at FVOCI	$ 207,818	-	-	207,818	207,818
Financial assets measured at amortized cost	$ 8,665,476	-	-	-	-
Financial liabilities measured at amortized cost	$ 18,981,118	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	$ 44,378	44,378	-	-	44,378
Non-current financial assets measured at cost	$ 138,784	-	-	-	-
Current available-for-sale financial assets	$ 594	594	-	-	594
Loans and receivables	$ 8,655,171	-	-	-	-
Financial liabilities measured at amortized cost	$ 20,725,762	-	-	-	-

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 Group 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.

If the financial instruments held by the Group 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 Group's major financial instruments that use Level 3 inputs to measure fair value is "financial assets measured at FVOCI – equity investments".

Most of the Group'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 was 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 Group' 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.

(ad) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Group'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 Group 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 reports to the Board of Directors on its activities.

(iii) Credit risk

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

1) Accounts and other receivables

The exposure of the credit risk depends on each customer. The Group 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 Group'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 are 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) Investments

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

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group' 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 Group'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 Group 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 Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the USD, HKD, EUR, JPY and CNY.

The Group held the accounts receivable denominated in foreign currencies other than the respective functional currencies of the Group 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 currencies are the same as the Group' s operating cash flows which mainly are NTD, USD and HKD.

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.

The Group and its subsidiaries did not engage in hedging for their investments.

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2) Interest rate risk

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

3) Other market price risk

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

(ae) 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 oversees the rates of return on equity and common stock dividend.

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

	December 31, 2018	December 31, 2017
Total liabilities	$ 21,064,992	23,750,179
Less: Cash and cash equivalents	(3,896,690)	(3,630,012)
Net debt	17,168,302	20,120,167
Total equity	16,943,165	15,569,448
Total capital	**$ 34,111,467**	**35,689,615**
Debt-to-capital ratio	**50.33 %**	**56.38 %**

(7) Related-party transactions:

(a) The ultimate parent company

The company is both the parent company and the ultimate controlling party of the Group.

(b) Names and relationship with related parties

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

Name of Related Party	Relationship with the Group
The Splendor Hospitality International Co., Ltd. (The Splendor Hospitality)	Joint ventures
CMAAN Health Co., Ltd. (CMAAN Health)	Joint ventures
Amida Trustlink Assets Management Co., Ltd. (Amida Trustlink Assets)	Associates
Hua-Pu Development Co., Ltd. (Hua-Pu Development)	Joint venture of subsidiaries
Keng-Hsin Urban Renewal Co., Ltd. (Keng-Hsin Urban Renewal)	Associate of subsidiaries

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Name of Related Party	Relationship with the Group
ADVANCISION (CAYMAN) Industries Co., Ltd. (ADVANCISION (CAYMAN))	Associate of subsidiaries
Beyond Fitness Co., Ltd. (Beyond Fitness)	Associate of subsidiaries
Acode Material Technology Co., Ltd. (Acode Material Technology)	Associate of subsidiaries
Fuzhou Aprec Mechanical and Electrical Co., Ltd. (Fuzhou Aprec)	Subsidiaries of subsidiaries' associates
Advancision Corporation (Advancision)	Subsidiaries of subsidiaries' associates
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
San Lien Educational Foundation (San Lien Foundation)	Other related parties
Pu Yuan Construction Co., Ltd. (Pu Yuan Construction)	Other related parties
LEESCO Development Co., Ltd. (LEESCO Development)	Other related parties
Yu-Tai Investment Co ., Ltd. (Yu-Tai Investment)	Other related parties
Hao Bao Investment Co., Ltd. (Hao Bao Investment)	Other related parties
Rui Hua Investment Co., Ltd. (Rui Hua Investment)	Other related parties
Mr. Ming Shiann, Ho	Other related parties
Mr. Cheng Ta, Wu	Other related parties
Mr. Ming Hong, Tsao	Key Management

(c) Significant transactions with related parties

(i) Sales to related parties

The amounts of significant sales transactions and outstanding balance between the Group and related parties are as follows:

	Sales For the Years Ended December 31		Notes and Accounts Receivable	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Associates	$ 2,840	1,883	1,252	935
Joint ventures	363	115	12	15
Other related parties	3,304	3,599	12	150
	$ 6,507	**5,597**	**1,276**	**1,100**

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

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(ii) Purchases from related parties

The amounts of significant purchases transactions and outstanding balances between the Group and related parties are as follows:

	Purchases		Notes and Accounts Payable	
	For the Years Ended December 31			
	2018	2017	December 31, 2018	December 31, 2017
Associates	$ 82,462	60,409	19,921	18,685

The purchases mentioned above could not compare to the market because the Group did not purchase the same items from non-related parties. The payment terms with related parties are not significantly different from those with third parties.

(iii) Leases

1) Rental expenses

The information of office leased by the Group is as follows:

	Rental Expenses	
	For the Years Ended December 31	
	2018	2017
Associates	$ 48	4
Other related parties	2,949	2,498
	$ 2,997	2,502

	Guarantee Deposit Paid (Recognized in other current and non-current financial assets)	
	December 31, 2018	December 31, 2017
Other related parties	$ 452	452

2) Rental revenues

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

	Rental Revenues	
	For the Years Ended December 31	
	2018	2017
Associates:		
Beyond Fitness	$ 1,440	720
Acode Material Technology	1,532	-
Other associates	604	628
Other related parties:		
Foundations	2,279	2,937
	$ 5,855	4,285

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	Guarantee Deposit Received (Recognized in other current liabilities)	
	December 31, 2018	**December 31, 2017**
Associates	$ **240**	**240**

(iv) Providing services to related party

The information of providing management consulting and application services to related parties is as follows:

	Service Revenues For the Years Ended December 31	
	2018	**2017**
Associates	$ 874	1,780
Joint ventures	5,545	6,274
	$ **6,419**	**8,054**

(v) Non-performing receivables

	Total Claims	
	December 31, 2018	**December 31, 2017**
Joint ventures: The Splendor Hospitality	$ **796,845**	**796,845**

	Costs of Claims	
	December 31, 2018	**December 31, 2017**
Joint ventures: The Splendor Hospitality	$ **575,000**	**575,000**

The claims mentioned above was recognized in other non-current financial assets, please refer to Note 6(n)

(vi) Guarantees and endorsements

The information of guarantees and endorsements of financing quotas and actual usage is as follows:

	Loan Limits	
	December 31, 2018	**December 31, 2017**
Joint ventures: The Splendor Hospitality	$ 2,000,000	1,905,453
Others	62,500	50,000
	$ **2,062,500**	**1,955,453**

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	Actual Usage Amount	
	December 31, 2018	**December 31, 2017**
Joint ventures: The Splendor Hospitality	$ 1,674,500	1,683,308
Others	55,681	45,405
	$ 1,730,181	**1,728,713**

(vii) Guarantee for bank loans

The Group didn't pay any guarantee fee to related parties as a guarantor.

(viii) Property transactions

The information of acquisitions of assets and subsidiaries investments from related parties is as follows:

	For the Years Ended December 31	
	2018	**2017**
Other related parties	$ 32,675	-
Key management	1,293	-
	$ 33,968	**-**

(ix) Other transactions

1) The information of donation to related parties is as follows:

	Donation	
	For the Years Ended December 31	
	2018	**2017**
Other related parties: Foundations	**$ 6,660**	**8,060**

2) The information of advertising provided by related parties is as follows:

	Advertising Expenses	
	For the Years Ended December 31	
	2018	**2017**
Joint ventures	$ -	1
Other related parties	-	60
	$ -	**61**

3) The information of management services provided by related parties is as follows:

	Management Service Expenses	
	For the Years Ended December 31	
	2018	**2017**
Other related parties: Foundations	**$ 15,810**	**11,858**

(Continued)

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

4) The information of other services or transactions provided by related parties is as follows:

	Other Expenses	
	For the Years Ended December 31	
	2018	2017
Associates	$ 40	324
Joint ventures	372	5,127
Other related parties: Foundations	397	15,404
Others	2,075	-
	$ 2,884	**20,855**

5) The amounts of revenues from providing guarantees and endorsements to related parties is as follows:

	Interest Revenues	
	For the Years Ended December 31	
	2018	2017
Joint ventures: The Splendor Hospitality	$ 14,737	13,329
Others	396	359
	$ 15,133	**13,688**

6) Other receivables and advance payments from related parties

	Other Receivables (including advance payments)	
	December 31, 2018	December 31, 2017
Associates: Keng-Hsin Urban Renewal	$ 14,660	6,777
Others	711	2,246
Joint ventures	137	787
Other related parties	440	394
	$ 15,948	**10,204**

7) Other payables and advance receipts from related parties

	Other Payables (including advance receipts)	
	December 31, 2018	December 31, 2017
Associates	$ 9,835	3,655
Joint ventures	69	35
Other related parties	205	1,551
	$ 10,109	**5,241**

(Continued)

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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(d) Key management transactions

The compensation of key management is as follows:

	For the Years Ended December 31	
	2018	**2017**
Short-term employee benefits	$ 165,463	129,763
Post-employment benefits	2,112	2,191
	$ 167,575	**131,954**

(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	$ 1,412,348	1,069,864
Buildings	〃	422,107	430,692
Investment properties	The credit limits of long-term bank loans	604,257	871,077
Inventories—land held for development	The credit limits of long-term and short-term bank loans	3,892,953	4,932,686
Inventories—construction in progress	〃	2,406,303	6,152,138
Inventories—buildings and land held for sale	The credit limits of short-term bank loans	4,520,258	818,727
Other current financial assets	Bank acceptance bills	55,584	44,494
〃	Trusts	243,319	384,274
		$ 13,557,129	**14,703,952**

(9) Significant commitments and contingencies

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

(i) The unused standby letters of credit for purchasing machinery and equipment and raw material are as follows:

	December 31, 2018	December 31, 2017
Unused standby letters of credit	**$ 627**	**40,006**

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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(ii) The unrecognized contractual commitment from contracts of buildings for future operational use, selling and purchasing of equipment, decorating constructions, and engineering constructions entered into by and between the Group and unconsolidated entities is as follows:

	December 31, 2018	December 31, 2017
Total contract price	$ 2,544,415	2,417,660
Total amounts paid under contracts	$ 824,843	1,407,226

Note: Recognized in "prepayments for equipment and construction in progress", "other non-current assets", "inventory- construction in progress" and "administrative expenses".

(iii) The Group's total selling price for presale construction projects is as follows:

	December 31, 2018	December 31, 2017
Total contract price	$ 4,337,978	5,291,254
Total amounts received under contracts (recognized under current contract liabilities and advance real estate receipts)	$ 502,930	1,530,738

(iv) The Group's purchase contracts of building capacity is as follows:

	December 31, 2018	December 31, 2017
Total contract price	$ 503,029	200,944
Total amounts paid under contracts (recognized under prepayments)	$ 207,195	116,570

(v) The Group's security deposits paid to landlords for joint construction projects is as follows:

	December 31, 2018	December 31, 2017
Security deposits of joint construction projects (Recognized under other current financial assets)	$ 196,894	186,994

(vi) The Group's security deposits for renting real estates is as follows:

	December 31, 2018	December 31, 2017
Security deposits (Recognized under other current and non-current financial assets)	$ 97,449	99,282

(vii) The Group's unrecognized contractual commitments for purchasing land is as follows:

	December 31, 2018	December 31, 2017
Total contract price	$ 219,342	17,580
Total amounts paid under contracts (Recognized under inventories—prepayments for land)	$ 10,788	700

(viii) The Group 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 Group 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.

(b) Contingencies

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

(ii) Contingencies for the Company and subsidiaries- the stages of Daguangsan petition for real estate transaction and non-performing receivables 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.

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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Litigant	Issue	Current Status
Sunflower Investment	Since 2011, Sunflower Investment had received several administrative penalties approved by National Tax Bureau of Taipei which arose from the withholding tax, value-added tax, enterprise income tax and undistributed earning tax of the Daguangsan non-performing receivables. The Company has sought administrative remedy for the aforementioned verdict.	National Tax Bureau of Taipei reduced the approved value-added tax and the regarding penalties to the total amount of $564,452 thousand on June 6, 2004, which arose from the non-performing loan trading interests between Jinlin Asset Management Co., Ltd. and the Company. The aforementioned amount had been paid in the amount of $46,174 thousand. The Company was dissatisfied with the verdicts and filed the petitions of the review, appeal and administrative litigation, which are being processed by the authority. 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 estimate the contingent liabilities. For details of regarding contingencies, please refer to Note 6 (q).

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

The Company's subsidiary, CMW (Tianjin), engaged in a sales contract dispute with its customer, and received the arbitration notice from the Chongqing Arbitration Commission on February 18, 2019. The customer requested CMW (Tianjin) to compensate for the loss caused by the deficiency of the product quality. However, CMW (Tianjin) developed the product based on the technical criterion and specifications provided by the customer. During the development stage, CMW (Tianjin) found a problem within the design and reminded the customer to modify. Due to the pressure of supply, the customer did not agree the proposal of the design modification to its end customers. In addition, the customer failed to follow the schedule in the process of verifying and approving the materials CMW (Tianjin) used in the production, which was inappropriate to the supply chain quality assurance. CMW (Tianjin) believes that the arbitration request lacks the facts and conclusive evidence, which is not possible for CMW (Tianjin) to take the whole responsibility of the end customers' loss. The case appointed lawyer stated that it is unlikely that all of the customers' arbitration requests will be accepted. The court session for the trial has not been opened.

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

(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:

	For the Years Ended December 31					
	2018			2017		
By function By item	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	777,779	567,841	1,345,620	721,643	541,063	1,262,706
Labor and health insurance	72,742	35,567	108,309	66,993	38,658	105,651
Pension	55,398	22,861	78,259	49,659	34,908	84,567
Remuneration of directors	-	90,010	90,010	-	44,791	44,791
Others	77,216	47,990	125,206	74,122	47,763	121,885
Depreciation	692,711	100,577	793,288	651,771	96,944	748,715
Amortization	1,301	40,661	41,962	1,294	43,192	44,486

(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.

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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Profit and loss, and cash flows generated 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)	-
Profit (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 inflow	**$ 630,268**	**27,387**

CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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 Group:

(i) Loans to other parties:

(In Thousands 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.

Note 5: Intra-group transactions have been eliminated in the consolidated financial statements.

(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.

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CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES
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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				Highest Percentage of Ownership (%)	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	3.12 %	
The Company	YUHUA Venture Capital Co., Ltd.	-	Non-current financial assets at FVOCI	261,800	1,473	1.25 %	1,473	1.25 %	
The Company	FUHUA Venture Capital Co., Ltd.	-	Non-current financial assets at FVOCI	247,500	2,868	1.67 %	2,868	1.67 %	
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	3.91 %	
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	4.00 %	
The Company	Pacific Electric Wire & Cable Co., Ltd.	-	Current financial assets at FVTPL	74,242	-	0.01 %	-	0.01 %	
Sunflower Investment	YungTay Engineening Co., Ltd.	-	Current financial assets at FVTPL	50,000	2,960	0.01 %	2,960	0.01 %	
Sunflower Investment	i1. COM, INC.	-	Non-current financial assets at FVOCI	100,000	-	0.52 %	-	0.52 %	
The Hotel National	Century National Technology Co., Ltd.	-	Non-current financial assets at FVOCI	35,600	-	2.51 %	-	2.51 %	

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

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

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

(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 share capital:

(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%	

Note : Intra-group transactions have been eliminated in the consolidated financial statements.

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

(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	-	-	-	-

Note : Intra-group transactions have been eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(In Thousands of NTD)

No. (Note 1)	Name of Company	Name of Counter-party	Nature of Relationship (Note 2)	Intercompany Transactions (Note 3)			
				Account	Amount	Trading Terms	Percentage of the Total Consolidated Revenue or Total Assets (Note 4)
0	China Metal Products	Atrans Precision	1	Operating revenue	70,008	60~90 days	0.39%
0	China Metal Products	CMJ	1	Operating revenue	38,640	90 days	0.21%
1	CMW (Tianjin)	CMW(C.I.)	2	Operating revenue	1,573,373	120~180 days	8.69%
3	Suzhou CMS	CMI	2	Operating revenue	1,425,573	120~180 days	7.87%
3	Suzhou CMS	Suzhou CMB	3	Operating revenue	12,746	120~180 days	0.07%
3	Suzhou CMS	CMW (Tianjin)	3	Operating revenue	12,443	120~180 days	0.07%
4	Suzhou CMB	CMB(H.K.)	2	Operating revenue	93,442	120~180 days	0.52%
4	Suzhou CMB	Suzhou CMS	3	Operating revenue	93,989	120~180 days	0.52%
4	Suzhou CMB	CMW (Tianjin)	3	Operating revenue	17,215	120~180 days	0.10%
6	National Management	China Metal Products	2	Operating revenue	65,497	OA 25 days	0.36%
12	CMAI	CMW(C.I.)	3	Operating revenue	25,328	90 days	0.14%
5	CMAI N.A.	CMW(C.I.)	3	Operating revenue	46,236	90 days	0.26%
5	CMAI N.A.	CMAI	2	Operating revenue	41,050	90~120 days	0.23%
8	CMW(C.I.)	CMAI	3	Operating revenue	40,203	120~180 days	0.22%
0	China Metal Products	Atrans Precision	1	Accounts receivable due from related parties	22,222	60~90 days	0.06%
1	CMW (Tianjin)	CMW(C.I.)	2	Accounts receivable due from related parties	1,548,974	120~180 days	4.08%
2	Tianjin CMT	CMI	2	Accounts receivable due from related parties	289,129	120~180 days	0.76%
2	Tianjin CMT	CMW (Tianjin)	3	Accounts receivable due from related parties	33,213	120~180 days	0.09%
3	Suzhou CMS	CMI	2	Accounts receivable due from related parties	1,404,386	120~180 days	3.69%
4	Suzhou CMB	Suzhou CMS	3	Accounts receivable due from related parties	63,213	120~180 days	0.17%
4	Suzhou CMB	CMB(H.K.)	2	Accounts receivable due from related parties	112,863	120~180 days	0.30%
4	Suzhou CMB	CMI	2	Accounts receivable due from related parties	23,551	120~180 days	0.06%

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No. (Note 1)	Name of Company	Name of Counter-party	Nature of Relationship (Note 2)	Intercompany Transactions (Note 3)			
				Account	Amount	Trading Terms	Percentage of the Total Consolidated Revenue or Total Assets (Note 4)
8	CMW(C.I.)	CMAI	3	Accounts receivable due from related parties	25,596	120~180 days	0.07%
2	Tianjin CMT	CMW (Tianjin)	3	Other receivables due from related parties	201,150	-	0.53%
2	Tianjin CMT	Suzhou CMS	3	Other receivables due from related parties	11,646	-	0.03%
2	Tianjin CMT	Suzhou CMB	3	Other receivables due from related parties	223,500	-	0.59%
7	CMI	CMB(H.K.)	1	Other receivables due from related parties	229,523	-	0.60%
8	CMW(C.I.)	CMW (Tianjin)	1	Other receivables due from related parties	1,021,366	-	2.69%
8	CMW(C.I.)	CMI	2	Other receivables due from related parties	1,822,625	-	4.80%
10	CMP(H.K.)	CMI	2	Other receivables due from related parties	136,497	-	0.36%
13	CHINGENG Land Development	PUJEN Land Development	2	Other receivables due from related parties	14,612	-	0.04%
12	CMAI	CMAI N.A.	1	Other receivables due from related parties	24,713	-	0.07%
9	CMB(H.K.)	Suzhou CMB	1	Other long-term receivables due from related parties	26,689	-	0.07%

Note 1: For the inter-company business relationship and transaction condition in the "Number" column, the labeling method is as follows:

1. Parent company - 0.
2. Subsidiaries – In sequence from 1

Note 2: Relationship is classified into three types:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The Group only disclosed the information of sales and accounts receivable with subsidiary and did not give unnecessary details of opposite purchases and accounts payables in this part.

Note 4: The transaction amount is divided by the consolidated operating revenue or the consolidated total assets.

Note 5: Intra-group transactions have been eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year 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			Highest Percentage of Ownership During the Period	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	100.00 %	835,414	835,414	Subsidiaries
The Company	Sunflower Investment	Taiwan	Investing	99,000	99,000	67,006,291	99.00 %	961,699	99.00 %	154,308	152,764	Subsidiaries
The Company	Atrans Precision	Taiwan	Vehicle parts processing	236,780	236,780	25,149,502	70.47 %	377,287	70.47 %	(34,388)	(24,233)	Subsidiaries
The Company	CMJ	Japan	Cast iron product retailing	4,887	4,887	500	83.33 %	51,501	83.33 %	28,939	24,115	Subsidiaries
The Company	CMAI	Hong Kong	Vehicle parts retailing	71,644	71,644	2,820,000	94.00 %	208,407	94.00 %	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	30.00 %	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	56.65 %	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)	35.21 %	(626)	-	Investees accounted for using equity method

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Name of Investor	Name of Investee	Location	Main Businesses	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Balance as of December 31, 2018 Shares (thousands)	Balance as of December 31, 2018 Percentage of Ownership	Balance as of December 31, 2018 Carrying Value	Highest Percentage of Ownership During the Period	Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
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	100.00 %	(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	100.00 %	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	50.00 %	(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	80.00 %	(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	50.00 %	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	15.07 %	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	13.11 %	(34,388)	Exempt from disclosure	Subsidiaries of the Company
Sunflower Investment	Amida Trustlink Assets	Taiwan	Real estate developing, leasing and financial claims acquiring from financial institutions	-	-	5,951,619	12.50 %	(7,726)	12.50 %	(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	4.46 %	(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	82.55 %	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	100.00 %	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 %	CNY1,540,172,688	100.00 %	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	100.00 %	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	100.00 %	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	100.00 %	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	100.00 %	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	100.00 %	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	100.00 %	(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 %	-	38.75 %	(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	21.59 %	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	20.00 %	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	30.00 %	(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	50.00 %	(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	70.00 %	(403)	Exempt from disclosure	Subsidiaries of PUJEN Land Development

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Name of Investor	Name of Investee	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2018			Highest Percentage of Ownership During the Period	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				
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	50.00 %	(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	20.00 %	(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	50.00 %	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	37.50 %	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.).

(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	Highest 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%	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%	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%	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%	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%	82.55%	(18) (CNY(4))	115,303 (CNY25,795)	-
Qinxin Trade	Vehicle parts retailing	4,301 (USD 140)	2	-	-	-	-	30 (USD1)	94.00%	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%	83.33%	12,188 (JPY 44,644)	21,006 (JPY75,506)	-

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(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 aforementioned investments have been eliminated in the consolidated financial statements.

Note 7: The amount in the table is translated by the spot rate on the financial reporting date.

(iii) Significant transactions: None

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(14) Segment information:

(a) General information

The Group divides its business into four reportable segments, which comprised of Metal Forming, Steel Product (discontinued), Real Estate Development, and Lifestyle Hospitality segments. Metal Forming Segment focuses on the casting, manufacturing and selling of cast iron products; Steel Product Segment focuses on selling and manufacturing of steel bars; Real Estate Development Segment focuses on the developing and selling of residents and commercial buildings; Lifestyle Hospitality Segment focus on retailing, amusement park and hotel operating.

The disclosed information is strategic business segments of the Group which provide different products and services. As each of the strategic business segment requires varied techniques and marketing strategies, they should be managed respectively.

(b) Reportable segments' profit or loss, assets, liabilities and their measurement and reconciliation

The Group's operating segments' accounting policies are similar to the ones described in Note 4 "Significant accounting policies". The Group's operating segments' profit or loss is based on operating income before taxes, which is also the basis of performance assessment of the segments. The transactions between the Group's segments are considered as trading with third parties, and are measured at fair value.

The Group's operating segment information and reconciliation are as follows:

	For the Years Ended December 31, 2018					
	Metal Forming Segment	**Steel Product Segment (Discontinued)**	**Real Estate Development Segment**	**Lifestyle Hospitality Segment**	**Reconciliation and Elimination**	**Total**
Revenue:						
Revenue from external customers	$ 13,175,477	23,496	4,156,083	753,975	-	18,109,031
Intersegment revenues	3,547,951	-	114	67,621	(3,615,686)	-
Interest income	25,865	-	473	1,070	34,771	62,179
Total revenue	$ 16,749,293	23,496	4,156,670	822,666	(3,580,915)	18,171,210
Interest expenses	$ (100,800)	-	(94,478)	(22,427)	(47,052)	(264,757)
Depreciation and amortization	$ (762,820)	(420)	(14,248)	(51,546)	(6,216)	(835,250)
Share of profit (loss) of associates and joint ventures accounted for using equity method	$ (43,707)	-	(6,946)	-	-	(50,653)
Impairment of assets	(1,891)	-	-	-	-	(1,891)
Reportable segment profit or loss	**$ 1,255,069**	**372,045**	**1,438,726**	**(104,579)**	**(182,221)**	**2,779,040**
Assets：						
Investments accounted for using equity method	$ 512,692	-	351,465	-	-	864,157
Non-current asset capital expenditure	$ (661,358)	(878)	(4,533)	(121,089)	(8,001)	(795,859)
Reportable segment assets (Note1)	**$ -**	-	-	-	-	-
Reportable segment liabilities (Note1)	**$ -**	-	-	-	-	-

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	For the Years Ended December 31, 2017					
	Metal Forming Segment	Steel Product Segment (Discontinued)	Real Estate Development Segment	Lifestyle Hospitality Segment	Reconciliation and Elimination	Total
Revenue:						
Revenue from external customers	$ 12,412,303	1,157,476	1,366,011	747,162	-	15,682,952
Intersegment revenues	3,557,701	7,567	114	65,873	(3,631,255)	-
Interest income	12,539	6	1,341	1,014	21,564	36,464
Total revenue	$ 15,982,543	1,165,049	1,367,466	814,049	(3,609,691)	15,719,416
Interest expenses	$ (42,032)	-	(36,351)	(23,125)	(41,621)	(143,129)
Depreciation and amortization	$ (710,398)	(10,367)	(13,174)	(54,055)	(5,207)	(793,201)
Share of profit (loss) of associates and joint ventures accounted for using equity method	$ (43,418)	-	159,235	-	-	115,817
Impairment of assets	(1,858)	-	-	-	-	(1,858)
Reportable segment profit or loss	**$ 1,284,385**	**(96,994)**	**255,282**	**(76,886)**	**(46,142)**	**1,319,645**
Assets：						
Investments accounted for using equity method	$ 488,939	-	381,914	-	-	870,853
Non-current asset capital expenditure	$ (596,047)	(1,002)	(43)	(127,148)	(2,789)	(727,029)
Reportable segment assets (Note1)	**$ -**	**-**	**-**	**-**	**-**	**-**
Reportable segment liabilities (Note1)	**$ -**	**-**	**-**	**-**	**-**	**-**

Note1: The amount of assets and liabilities of the Group’s reportable segments was not provided to the management. It is not required for disclosure.

Note2: The reportable segments of the Group are adjusted as follows: The original "Department store segment" and "Other segment" are adjusted and stated under "Life and leisure segment" and "Construction and resident segment"; the original "Construction and Resident segment" is adjusted and stated under "Construction and resident segment"; the original "Iron casting and manufacturing segment" is adjusted and stated under "Metal forming segment".

(c) The information of product and service

The segmentation of the Group’s reportable segments is based on their product and service. The information regarding external customer transactions is disclosed in the table above.

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(d) Geographic information

In presenting information on the basis of geography, segment assets are categorized based on the geographical location of the assets. The geographical information for the years ended December 31, 2018 and 2017 is as follows:

Geographical information	For the Years Ended December 31 2018	2017
Non-current assets:		
Taiwan	$ 6,414,000	6,176,413
United States	87,327	87,685
Japan	1,253	1,399
China	5,401,264	5,483,675
Others	498,001	455,915
Total	**$ 12,401,845**	**12,205,087**

(e) Information on major customers

	For the Years Ended December 31 2018	2017
Customer A from metal forming segment	**$ 1,787,081**	**1,646,448**