

CHINA METAL PRODUCTS CO., LTD.**FINANCIAL STATEMENTS**

**with Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of China Metal Products Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheets of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of financial statements for the year ended December 31, 2021 of the Company. Those matters have been addressed in our audit opinion on the said financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Revenue recognition

For the revenue recognition account policy, please refer to Note 4(q); for the details of the revenue recognition during the years, please refer to Note 6(v).

Description of key audit matter:

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

Corresponding audit procedure:

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

2. Impairment assessment of investments accounted for using equity method

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

Description of key audit matter:

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

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

Corresponding audit procedure:

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of China Metal Products Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Metal Products Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause China Metal Products Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within China Metal Products Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shih-Chin Chih and Kuo-Yang Tseng.

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2022

Notes to Readers

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

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(English Translation of Financial Statements Originally Issued in Chinese)
CHINA METAL PRODUCTS CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020			December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets									
Current assets:									
1100 Cash and cash equivalents (Note 6(a))	\$ 1,329,592	5	519,514	2	2100 Short-term borrowings (Notes 6(m) and 8)	\$ 1,349,813	5	809,619	4
1170 Notes and accounts receivable, net (Notes 6(c) and (v))	352,911	1	256,061	1	2130 Current contract liabilities (Note 6(v))	10,470	-	7,631	-
1180 Accounts receivable due from related parties, net (Note 7)	30,198	-	18,686	-	2170 Notes and accounts payable (Note 7)	321,996	1	272,461	1
1200 Other receivables	25,583	-	22,234	-	2200 Other payables (Note 7)	376,318	1	262,801	1
1210 Other receivables due from related parties (Note 7)	2,279	-	56,235	-	2230 Current income tax liabilities	6,302	-	16,359	-
130X Inventories (Note 6(d))	104,217	1	93,106	1	2280 Current lease liabilities (Note 6(o))	175,148	1	171,380	1
1410 Prepayments (Note 7)	42,345	-	32,091	-	2300 Other current liabilities	6,105	-	2,488	-
1470 Other current assets	60,856	-	18,570	-	2310 Advance receipts	2,243	-	2,245	-
1476 Other current financial assets	446,401	2	227,143	1	2322 Long-term borrowings, current portion (Note 6(n))	895,582	4	-	-
Total current assets	<u>2,394,382</u>	<u>9</u>	<u>1,243,640</u>	<u>5</u>	Total current liabilities	<u>3,143,977</u>	<u>12</u>	<u>1,544,984</u>	<u>7</u>
Non-current assets:					Non-current liabilities:				
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(b))	178,394	1	194,824	1	2541 Long-term bank loans (Notes 6(n), 7 and 8)	7,268,661	29	6,366,872	29
1550 Investments accounted for using equity method (Notes 6(e), (f), (g) and 8)	14,902,240	59	14,120,768	64	2580 Non-current lease liabilities (Note 6(o))	1,645,551	7	1,807,930	8
1600 Property, plant and equipment (Notes 6(h), 7, 8 and 9)	736,930	3	740,803	3	2570 Deferred tax liabilities (Note 6(s))	331,548	1	411,208	2
1755 Right-of-use assets (Notes 6(i) and 9)	1,775,865	7	1,947,124	9	2600 Other non-current liabilities (Note 6(p))	147,203	1	40,624	-
1760 Investment property, net (Notes 6(j) and 8)	2,644,810	10	2,451,027	11	Total non-current liabilities	<u>9,392,963</u>	<u>38</u>	<u>8,626,634</u>	<u>39</u>
1780 Intangible assets	14,679	-	9,058	-	Total liabilities	<u>12,536,940</u>	<u>50</u>	<u>10,171,618</u>	<u>46</u>
1840 Deferred tax assets (Note 6(s))	9,206	-	9,206	-	Equity attributable to owners of parent (Note 6(t)):				
1900 Other non-current assets (Notes 6(k), 7 and 9)	1,964,843	8	790,747	4	3100 Ordinary share	3,761,221	15	3,761,221	17
1975 Non-current net defined benefit assets (Note 6(r))	12,651	-	13,053	-	3200 Capital surplus	1,488,270	6	1,487,802	7
1980 Other non-current financial assets (Notes 6(l), 7 and 9)	677,555	3	677,762	3	3300 Retained earnings	7,472,339	29	6,651,340	30
Total non-current assets	<u>22,917,173</u>	<u>91</u>	<u>20,954,372</u>	<u>95</u>	3400 Other equity	52,785	-	126,031	-
Total assets	<u>\$ 25,311,555</u>	<u>100</u>	<u>22,198,012</u>	<u>100</u>	Total equity	<u>12,774,615</u>	<u>50</u>	<u>12,026,394</u>	<u>54</u>
					Total liabilities and equity	<u>\$ 25,311,555</u>	<u>100</u>	<u>22,198,012</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CHINA METAL PRODUCTS CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenues (Notes 6(v) and 7)	\$ 1,526,371	100	1,214,052	100
5000	Operating costs (Note 6(d) and 7)	<u>(956,475)</u>	<u>(63)</u>	<u>(714,677)</u>	<u>(59)</u>
	Gross profit from operations	<u>569,896</u>	<u>37</u>	<u>499,375</u>	<u>41</u>
	Operating expenses (Note 7):				
6100	Selling expenses	(42,847)	(3)	(29,417)	(2)
6200	Administrative expenses	(572,051)	(37)	(537,469)	(44)
6300	Research and development expenses	(1,084)	-	(2,145)	-
6450	Expected credit (losses) gains (Note 6(c))	<u>(296)</u>	<u>-</u>	<u>5,952</u>	<u>-</u>
	Total operating expenses	<u>(616,278)</u>	<u>(40)</u>	<u>(563,079)</u>	<u>(46)</u>
	Net operating loss	<u>(46,382)</u>	<u>(3)</u>	<u>(63,704)</u>	<u>(5)</u>
	Non-operating income and expenses:				
7100	Interest income (Notes 6(x) and 7)	15,977	1	20,031	2
7010	Other income (Note 6(x))	71,689	5	77,884	6
7020	Other gains and losses (Note 6(x))	(22,952)	(2)	(34,650)	(3)
7050	Finance costs (Note 6(x))	(109,534)	(7)	(107,137)	(9)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Note 6(e))	<u>1,241,673</u>	<u>81</u>	<u>669,202</u>	<u>55</u>
	Total non-operating income and expenses	<u>1,196,853</u>	<u>78</u>	<u>625,330</u>	<u>51</u>
7900	Profit from continuing operations before tax	1,150,471	75	561,626	46
7950	Add: Tax income (expenses) (Note 6(s))	<u>60,927</u>	<u>4</u>	<u>(4,168)</u>	<u>-</u>
8000	Profit from continuing operations	<u>1,211,398</u>	<u>79</u>	<u>557,458</u>	<u>46</u>
	Profit	<u>1,211,398</u>	<u>79</u>	<u>557,458</u>	<u>46</u>
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	(Losses) gains on remeasurements of defined benefit plans (Notes 6(r))	(2,181)	-	1,966	-
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income (Notes 6(y))	(12,650)	(1)	6,193	1
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	<u>(813)</u>	<u>-</u>	<u>719</u>	<u>-</u>
	Total items that may not be reclassified subsequently to profit or loss	<u>(15,644)</u>	<u>(1)</u>	<u>8,878</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>(57,490)</u>	<u>(4)</u>	<u>175,947</u>	<u>14</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(57,490)</u>	<u>(4)</u>	<u>175,947</u>	<u>14</u>
8300	Other comprehensive income (after tax)	<u>(73,134)</u>	<u>(5)</u>	<u>184,825</u>	<u>15</u>
8500	Comprehensive income	<u>\$ 1,138,264</u>	<u>74</u>	<u>742,283</u>	<u>61</u>
	Earnings per share (Note 6(u))				
9750	Basic earnings per share	<u>\$ 3.22</u>		<u>1.47</u>	
9850	Diluted earnings per share	<u>\$ 3.21</u>		<u>1.46</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CHINA METAL PRODUCTS CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings				Other Equity				Total Equity
	Ordinary Share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Total Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total Other Equity Interest	Treasury share	
Balance at January 1, 2020	\$ 3,852,521	1,523,104	1,756,147	49,081	4,764,453	6,569,681	(143,749)	87,640	(56,109)	-	11,889,197
Profit for the year ended December 31, 2020	-	-	-	-	557,458	557,458	-	-	-	-	557,458
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	2,685	2,685	175,947	6,193	182,140	-	184,825
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	560,143	560,143	175,947	6,193	182,140	-	742,283
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	45,022	-	(45,022)	-	-	-	-	-	-
Special reserve	-	-	-	7,028	(7,028)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(346,727)	(346,727)	-	-	-	-	(346,727)
Other changes in capital surplus:											
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	(1,136)	(1,136)	-	-	-	-	(1,136)
Acquisition of treasury share	-	-	-	-	-	-	-	-	-	(257,223)	(257,223)
Retirement of treasury share	(91,300)	(35,302)	-	-	(130,621)	(130,621)	-	-	-	257,223	-
Balance on December 31, 2020	3,761,221	1,487,802	1,801,169	56,109	4,794,062	6,651,340	32,198	93,833	126,031	-	12,026,394
Profit for the year ended December 31, 2021	-	-	-	-	1,211,398	1,211,398	-	-	-	-	1,211,398
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(2,994)	(2,994)	(57,490)	(12,650)	(70,140)	-	(73,134)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	1,208,404	1,208,404	(57,490)	(12,650)	(70,140)	-	1,138,264
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	42,839	-	(42,839)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(387,406)	(387,406)	-	-	-	-	(387,406)
Reversal of special reserve	-	-	-	(7,028)	7,028	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	611	-	-	-	-	-	-	-	-	611
Changes in equity of associates and joint ventures accounted for using equity method	-	(143)	-	-	(3,105)	(3,105)	-	-	-	-	(3,248)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	3,106	3,106	-	(3,106)	(3,106)	-	-
Balance on December 31, 2021	\$ 3,761,221	1,488,270	1,844,008	49,081	5,579,250	7,472,339	(25,292)	78,077	52,785	-	12,774,615

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CHINA METAL PRODUCTS CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 1,150,471	561,626
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	271,092	267,494
Amortization expense	4,801	4,812
Interest expense	109,534	107,137
Expected credit losses (gains)	296	(5,952)
Interest income	(15,977)	(20,031)
Dividend income	(13,536)	(28,407)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,241,673)	(669,202)
Losses (gains) on disposal of property, plant and equipment	1,470	(4,120)
Property, plant and equipment transferred to expenses	465	732
Loss on disposal of investments	3,005	-
Lease modification gains	(11)	(892)
Total adjustments to reconcile profit	<u>(880,534)</u>	<u>(348,429)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable, net	(97,146)	(57,565)
Accounts receivable due from related parties, net	(11,512)	5,781
Other receivables	51,019	(54,600)
Inventories	(11,111)	89,274
Prepayments	(9,932)	5,911
Other current assets	(40,718)	827
Other current financial assets	(219,258)	83,079
Net defined benefit assets	(1,779)	(3,444)
Total changes in operating assets	<u>(340,437)</u>	<u>69,263</u>
Changes in operating liabilities:		
Notes and accounts payable (including related parties), net	49,535	31,611
Other payables	230,286	61,990
Contract liabilities	2,839	4,637
Other current liabilities	3,617	(8,741)
Advance receipts	(2)	177
Total changes in operating liabilities	<u>286,275</u>	<u>89,674</u>
Total changes in operating assets and liabilities	<u>(54,162)</u>	<u>158,937</u>
Total adjustments	<u>(934,696)</u>	<u>(189,492)</u>
Cash inflow generated from operations	215,775	372,134
Interest received	2,049	6,626
Dividends received	948,703	335,912
Interest paid	(108,040)	(108,675)
Income taxes paid	(29,201)	(71,220)
Net cash flows generated from operating activities	<u>1,029,286</u>	<u>534,777</u>
Cash flows from investing activities:		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	833	21,241
Acquisition of investments accounted for using equity method	(536,789)	(41,422)
Proceeds from disposal of the subsidiaries (net effect of cash)	2,772	-
Proceeds from capital reduction of investments accounted for using equity method	-	56,178
Acquisition of property, plant and equipment	(93,845)	(37,256)
Proceeds from disposal of property, plant and equipment	695	4,149
Acquisition of intangible assets	(5,779)	(556)
Acquisition of investment properties	(174,919)	-
Decrease (increase) in other financial assets	207	(227,585)
Increase in other non-current assets	(1,192,960)	(330,556)
Net cash flows used in investing activities	<u>(1,999,785)</u>	<u>(555,807)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	2,210,000	1,720,000
Decrease in short-term borrowings	(1,770,000)	(1,610,000)
Increase in short-term notes and bills payable	100,194	199,726
Proceeds from long-term borrowings	6,842,632	4,622,462
Repayments of long-term borrowings	(5,045,582)	(4,419,000)
Increase in other non-current liabilities	3,391	2,620
Cash dividends paid	(387,406)	(346,727)
Payment of lease liabilities	(172,652)	(171,976)
Payments to acquire treasury shares	-	(257,223)
Net cash flows generated from (used in) financing activities	<u>1,780,577</u>	<u>(260,118)</u>
Net increase (decrease) in cash and cash equivalents	810,078	(281,148)
Cash and cash equivalents at the beginning of the year	519,514	800,662
Cash and cash equivalents at the end of the year	<u>\$ 1,329,592</u>	<u>519,514</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
CHINA METAL PRODUCTS CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

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

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

The financial statements were authorized for issue by the Board of Directors on March 30, 2022.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

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

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies

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

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit liabilities (assets) are recognized as the present value of the defined obligation less the fair value of the plan assets, which is limited as explained in Note 4(s).

- (ii) Functional and presentation currency

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

(Continued)

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

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period (hereinafter referred to as the reporting date) are retranslated to the functional currency at the exchange rate at that date.

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.

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

- An investment in equity securities designated as at fair value through other comprehensive income.

(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. Exchange 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 Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

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

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

- (i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) It is expected to be realized within twelve months after the reporting period ; or

(Continued)

CHINA METAL PRODUCTS CO., LTD.

Notes to the Financial Statements

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

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

- (i) It is expected to be settled within the Company's normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) The liability is due to be settled within twelve months after the reporting period ; or
- (iv) The Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

Financial assets which are trade as regular purchases or sales are recognized and derecognized on a trade date basis.

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

1) Financial assets measured at amortized cost

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

(Continued)

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

- 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.

These assets are subsequently measured at amortized cost, which is the initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company'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, including derivative financial assets. On initial recognition, the Company 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.

(Continued)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of 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. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership, or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

When the Company enters into transactions whereby it transfers assets but retains either all or substantially all of the risks and rewards of the assets, the transferred assets are not derecognized from statement of balance sheet.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity instruments

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

(Continued)

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

2) Equity instrument

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.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified under FVTPL if it is recognized as held-for-trading, derivative or designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expired. When the terms of a financial liability are modified and the cash flows of the modified liability are substantially different, the Company derecognizes the original financial liability and recognized a new financial liability at fair value based on the modified terms.

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

6) Offsetting of financial assets and liabilities

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

7) 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.

(Continued)

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

At initial recognition, a financial guarantee contracts not designated as financial liabilities at fair value through profit or loss by the Company is recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at the higher of (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(g) Inventories

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

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

(h) Investment in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, 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.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Subsidiaries

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

(Continued)

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

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

(j) 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 venture is a joint arrangement whereby the Company has joint control of the arrangement (i.e. joint venturers) in which the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Company recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Company qualifies for exemption from that Standard. Please refer to Note 4(h) for the application of the equity method.

When assessing the classification of a joint arrangement, the Company considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(k) 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 subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

(Continued)

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

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

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

Depreciation methods, useful lives, and residual values are reviewed at least at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

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

(m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment of lease period on whether it will exercise a extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheet.

(Continued)

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

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including partial offices, office facilities, dormitory and company cars. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess whether eligible rent concessions that meets all the following conditions for lease modifications:

- 1) the rent concessions occurring as a direct consequence of the covid19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on, or before, June 30, 2022; and
- 4) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(Continued)

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

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as rental revenue.

(n) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|----------------------|------------|
| 1) Computer software | 3~10 years |
|----------------------|------------|

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(Continued)

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed 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.

(p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present 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.

(q) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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CHINA METAL PRODUCTS CO., LTD.
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2) Customer loyalty program

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

3) Financing components

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

(r) Contract costs

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

- (i) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- (ii) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

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

(s) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

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(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(t) Income taxes

Income taxes comprise 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 comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 are recognized except for the following:

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CHINA METAL PRODUCTS CO., LTD.
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- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (u) Earnings per share

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

- (v) Operating segments

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

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

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

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

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

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

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

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

- The Company does not obtain the ownership of the goods and not obligated to the sale of the goods.
- The revenue is received by the Company, but the credit risk of the goods is undertaken by the supplier.
- The Company cannot vary the selling prices set by the supplier.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) The loss allowance of accounts receivable

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

(b) Inventory valuation

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

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(c) Impairment of goodwill

The assessment of impairment of goodwill is based on the estimated growth rate, gross profit margin and the income under cash basis, which requires the Company's management to determine the valuation method, major assumption and to calculate the equity value. In addition, impairment of goodwill depends on the Company to make subjective judgments which involved highly estimation uncertainty. Please refer to the consolidated financial statements for the year ended December 31, 2021 for the impairment of goodwill.

(d) Recognition and measurement of provisions and contingent liabilities

Provision for unsettled litigation and claims is recognized when it is probable that it will result in an outflow of the Company's resources and the amount can be reasonably estimated. Since the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability. Please refer to the consolidated financial statements for the year ended December 31, 2021 for further description of provisions and contingent liabilities.

(e) Measurement of defined benefit obligations

Accrued pension liabilities (assets) 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(r) for further description of the actuarial assumptions and sensitivity analysis.

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

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

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

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

(i) Note 6(y), Financial instruments

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 1,340	1,400
Cash in banks	1,299,936	443,382
Time deposits	28,316	74,732
Cash and cash equivalents	<u>\$ 1,329,592</u>	<u>519,514</u>

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equity investments at fair value through other comprehensive income		
Stocks unlisted on domestic markets—MEITA Industrial Co., Ltd.	\$ 119,433	135,300
Stocks unlisted on domestic markets—YUHUA Venture Capital Co., Ltd.	207	435
Stocks unlisted on domestic markets—FUHUA Venture Capital Co., Ltd.	674	1,574
Stocks unlisted on domestic markets—GUANGYUAN Investment Co., Ltd.	33,824	31,580
Stocks unlisted on domestic markets—DEVELOPMENT Venture Capital Co., Ltd.	24,256	25,935
Total	<u>\$ 178,394</u>	<u>194,824</u>

- (i) The Company intends to hold the equity investments for long-term strategic purposes, rather than transaction purposes. Therefore, the investments are measured at FVOCI.
- (ii) The Company did not dispose the strategic investments during the year of 2021 and 2020. Therefore, the accumulated income and loss was not transferred in equity.
- (iii) Please refer to Note 6(y) for the information on credit risk (including the impairment of debt instrument investments) and market risk.
- (iv) As of December 31, 2021 and 2020, the financial assets were not pledged as collateral.

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(c) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable from operating activities	\$ 56,590	52,368
Accounts receivable-measured as amortized cost	297,170	204,246
Subtotal	353,760	256,614
Less: Loss allowance	(849)	(553)
Total	<u>\$ 352,911</u>	<u>256,061</u>

The Company applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. 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 on macroeconomic and the relative industries information. The loss allowance provision is determined as follows:

	December 31, 2021		
	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	\$ 346,393	0%	-
1 to 30 days past due	2,754	0%	-
31 to 90 days past due	3,320	0%	-
91 to 120 days past due	-	13.50%	-
121 days to a year past due	783	43.37%	339
Over a year past due	510	100%	510
	<u>\$ 353,760</u>		<u>849</u>

	December 31, 2020		
	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	\$ 246,934	0%	-
1 to 30 days past due	8,860	0%	-
31 to 90 days past due	100	0%	-
91 to 120 days past due	187	10.54%	20
121 days to a year past due	-	25.08%	-
Over a year past due	533	100%	533
	<u>\$ 256,614</u>		<u>553</u>

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CHINA METAL PRODUCTS CO., LTD.
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The movements in the allowance for notes and accounts receivable is as follows:

	For the Years Ended December 31	
	2021	2020
Balance on January 1	\$ 553	6,505
Impairment losses (recovery) recognized	296	(5,952)
Balance on December 31	<u>\$ 849</u>	<u>553</u>

The financial assets mentioned above were not pledged as collateral.

(d) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 3,022	5,486
Materials	8,098	5,454
Work in process	45,374	22,710
Semi-finished goods	12,352	26,492
Finished goods	29,012	27,320
Merchandise	6,359	5,644
	<u>\$ 104,217</u>	<u>93,106</u>

For the years ended December 31, 2021 and 2020, the cost of goods sold and expenses were amounted to \$956,475 thousand and \$714,677 thousand, respectively. For the years ended December 31, 2021 and 2020, the reversal gain (loss for inventory obsolescence) from the increase (decrease) in inventories' net realizable value amounted to \$8,560 thousand and \$(7,691) thousand, respectively.

The inventories were not pledged as collateral, as of December 31, 2021 and 2020.

(e) 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, 2021	December 31, 2020
Subsidiaries	\$ 14,715,311	13,851,684
Associates	(21,760)	(21,760)
Joint ventures	208,689	290,844
	<u>\$ 14,902,240</u>	<u>14,120,768</u>

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CHINA METAL PRODUCTS CO., LTD.
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(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2021.

Sunflower Investment Co., Ltd., the subsidiary of the Company, had sought administrative remedies for the administrative penalties arose from enterprise income tax, value-added tax, and undistributed earning tax of the Daguangsan non-performing receivable case, the total amount of tax and penalties amounted to \$564,452 thousand. As of the reporting date, the Company has paid \$46,174 thousand and estimated the regarding litigation provision at \$236,052 thousand. The administrative litigation was filed against Taipei High Administrative Court on December 24, 2013. In accordance with the Article 177 of the Administrative Regulation Section 1 and 2, Taipei High Administrative Court suspended the proceeding of the lawsuit on July 25, 2016. Considering the risk of losing the lawsuit in the future, the Company assessed the aforementioned possible losses based on the conservative principle and estimated the contingent liabilities.

(ii) Associates

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

	December 31, 2021	December 31, 2020
Carry amount of individually insignificant associates' equity	<u>\$ (21,760)</u>	<u>(21,760)</u>

Net loss from continuing operations and other comprehensive income attributed to the Company were amounted to \$0 thousand.

Due to the fact that the Company does not have the obligation of assuming the excess losses, it ceased the recognition of the losses from the investment of Amida Trustlink Assets Management Co., Ltd. For the years ended December 31, 2021 and 2020, the unrealized investment losses were amounted to \$105 thousand and \$94 thousand, respectively; and the accumulated unrealized investment losses amounted to \$34,953 thousand.

(iii) Joint ventures

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

	December 31, 2021	December 31, 2020
Carry amount of individually insignificant joint ventures' equity	<u>\$ 208,689</u>	<u>290,844</u>

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	For the Years Ended December 31	
	2021	2020
Attributable to the Company:		
Net loss from continuing operations	\$ (84,103)	(86,757)
Other comprehensive income	-	-
Comprehensive income	\$ (84,103)	(86,757)

(iv) Pledge to secure

For the information on the investments accounted for using equity, as of December 31, 2021 and 2020, please refer to Note 8.

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

(i) Acquisition of subsidiary

For the years ended December 31, 2021 and 2020, the Company obtained CMAI and Atrans Precision additional equity on \$8,570 thousand and \$10,438 thousand, increasing the percentage ownership from 94.00% to 100.00% and 83.74% to 85.51%, respectively.

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

	For the Years Ended December 31	
	2021	2020
	CMAI	Atrans Precision
Acquisition of non-controlling interests	\$ 9,181	9,302
Payments to non-controlling interests	(8,570)	(10,438)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	\$ 611	(1,136)

The capital surplus resulting from changes in ownership is not sufficient as of December 31, 2020 the remaining difference was a debited to retained earnings.

(g) Loss of control over a subsidiary

The Company had sold 30% of its shares in Pu Sheng Construction Co., Ltd. wherein the proceeds of \$2,772 thousand on March 31, 2021 resulted in a loss of control over the Pu Sheng Construction and a loss on disposal of investment amounting to \$3,005 thousand.

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(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020 are as follows:

	Land	Buildings	Machinery	Office Equipment	Transportation Equipment	Other Equipment	Prepayments for Equipment and Construction in Progress	Total
Cost:								
Balance on January 1, 2021	\$ 113,667	278,538	811,852	24,394	6,485	117,098	8,056	1,360,090
Additions	-	143	7,656	704	1,780	11,542	72,020	93,845
Disposals	-	-	(6,532)	-	(650)	(4,724)	-	(11,906)
Reclassification	-	677	10,216	-	222	29,546	(50,433)	(9,772)
Balance at December 31, 2021	<u>\$ 113,667</u>	<u>279,358</u>	<u>823,192</u>	<u>25,098</u>	<u>7,837</u>	<u>153,462</u>	<u>29,643</u>	<u>1,432,257</u>
Balance at January 1, 2020	\$ 113,667	272,286	786,279	24,097	7,923	106,803	40,837	1,351,892
Additions	-	657	5,155	247	-	8,521	22,676	37,256
Disposals	-	-	(25,938)	(187)	(1,438)	-	-	(27,563)
Reclassification	-	5,595	46,356	237	-	1,774	(55,457)	(1,495)
Balance on December 31, 2020	<u>\$ 113,667</u>	<u>278,538</u>	<u>811,852</u>	<u>24,394</u>	<u>6,485</u>	<u>117,098</u>	<u>8,056</u>	<u>1,360,090</u>
Accumulated depreciation:								
Balance on January 1, 2021	\$ -	112,989	412,896	19,633	6,421	67,348	-	619,287
Depreciation	-	11,855	53,686	2,429	423	17,388	-	85,781
Disposals	-	-	(6,532)	-	(650)	(2,559)	-	(9,741)
Balance on December 31, 2021	<u>\$ -</u>	<u>124,844</u>	<u>460,050</u>	<u>22,062</u>	<u>6,194</u>	<u>82,177</u>	<u>-</u>	<u>695,327</u>
Balance on January 1, 2020	\$ -	101,294	390,638	16,783	7,503	49,604	-	565,822
Depreciation	-	11,695	48,196	3,037	327	17,744	-	80,999
Disposals	-	-	(25,938)	(187)	(1,409)	-	-	(27,534)
Balance on December 31, 2020	<u>\$ -</u>	<u>112,989</u>	<u>412,896</u>	<u>19,633</u>	<u>6,421</u>	<u>67,348</u>	<u>-</u>	<u>619,287</u>
Carrying value:								
Balance on December 31, 2021	<u>\$ 113,667</u>	<u>154,514</u>	<u>363,142</u>	<u>3,036</u>	<u>1,643</u>	<u>71,285</u>	<u>29,643</u>	<u>736,930</u>
Balance on January 1, 2020	<u>\$ 113,667</u>	<u>170,992</u>	<u>395,641</u>	<u>7,314</u>	<u>420</u>	<u>57,199</u>	<u>40,837</u>	<u>786,070</u>
Balance on December 31, 2020	<u>\$ 113,667</u>	<u>165,549</u>	<u>398,956</u>	<u>4,761</u>	<u>64</u>	<u>49,750</u>	<u>8,056</u>	<u>740,803</u>

As of December 31, 2021 and 2020, please refer to Note 8 for the details of plant, property and equipment pledged as collateral for the Company's long-term loan and financing guarantee.

(i) Right-of-use assets

The Company leases many assets including land, buildings, machinery and transportation equipment. Information about leases for which the Company as a lessee is presented below:

	Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Other Equipment	Total
Cost:							
Balance on January 1, 2021	\$ 666,672	2,392,303	6,789	9,096	1,296	122,263	3,198,419
Additions	-	503	-	12,707	723	606	14,539
Reduction for expiration	-	(503)	-	(4,743)	(866)	(195)	(6,307)
Balance on December 31, 2021	<u>\$ 666,672</u>	<u>2,392,303</u>	<u>6,789</u>	<u>17,060</u>	<u>1,153</u>	<u>122,674</u>	<u>3,206,651</u>
Balance on January 1, 2020	\$ 666,672	2,402,255	4,986	16,340	1,210	122,607	3,214,070
Additions	-	895	1,803	-	677	260	3,635
Reduction for expiration	-	(10,847)	-	(7,244)	(591)	(604)	(19,286)
Balance on December 31, 2020	<u>\$ 666,672</u>	<u>2,392,303</u>	<u>6,789</u>	<u>9,096</u>	<u>1,296</u>	<u>122,263</u>	<u>3,198,419</u>

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
Accumulated depreciation:							
Balance on January 1, 2021	\$ 70,834	1,156,454	2,915	6,372	602	14,118	1,251,295
Depreciation	16,667	160,572	1,358	2,941	229	3,544	185,311
Reduction for expiration	-	(503)	-	(4,560)	(562)	(195)	(5,820)
Balance on December 31, 2021	<u>\$ 87,501</u>	<u>1,316,523</u>	<u>4,273</u>	<u>4,753</u>	<u>269</u>	<u>17,467</u>	<u>1,430,786</u>
Balance on January 1, 2020	\$ 54,167	1,005,765	1,828	10,210	672	10,998	1,083,640
Depreciation	16,667	161,536	1,087	3,406	266	3,533	186,495
Reduction for expiration	-	(10,847)	-	(7,244)	(336)	(413)	(18,840)
Balance on December 31, 2020	<u>\$ 70,834</u>	<u>1,156,454</u>	<u>2,915</u>	<u>6,372</u>	<u>602</u>	<u>14,118</u>	<u>1,251,295</u>
Carrying value:							
Balance on December 31, 2021	<u>\$ 579,171</u>	<u>1,075,780</u>	<u>2,516</u>	<u>12,307</u>	<u>884</u>	<u>105,207</u>	<u>1,775,865</u>
Balance on December 31, 2020	<u>\$ 595,838</u>	<u>1,235,849</u>	<u>3,874</u>	<u>2,724</u>	<u>694</u>	<u>108,145</u>	<u>1,947,124</u>

(j) Investment property

	<u>Land</u>
Cost or deemed cost:	
Balance on January 1, 2021	\$ 2,451,027
Additions	174,919
Reclassification	18,864
Balance on December 31, 2021	<u>\$ 2,644,810</u>
Balance on January 1, 2020	<u>\$ 2,451,027</u>
Balance on December 31, 2020	<u>\$ 2,451,027</u>
Carrying amounts:	
Balance on December 31, 2021	<u>\$ 2,644,810</u>
Balance at December 31, 2020	<u>\$ 2,451,027</u>
Fair value:	
Balance on December 31, 2021	<u>\$ 2,644,810</u>
Balance on December 31, 2020	<u>\$ 2,451,027</u>

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.

To optimize the use of assets of the Company by expanding its land for future development, the Company resolved to acquire 12 pieces of land located in Houlongzi Section, West District, Taichung City on December 17, 2020 and October 7, 2021. The total price of \$193,227 thousand had been fully paid-up as of December 31, 2021.

As of December 31, 2021 and 2020, the details of investment properties pledged as collateral, please refer to Note 8.

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

(k) Other non-current assets

The details of the other non-current assets is as follows:

	December 31, 2021	December 31, 2020
Construction in progress	\$ 1,964,821	790,725
Land	<u>22</u>	<u>22</u>
	<u>\$ 1,964,843</u>	<u>790,747</u>

- (i) The construction in progress is the development of land and shopping mall of the Company, please refer to Note 9(a),(ii) for details.
- (ii) The land held by the Company is located at Xihfeng Township Kengzikou. According to the laws and regulations, companies cannot be registered as landowner, due to the usage of the land is registered for farming. Therefore, the ownership of the land was passed to individuals and was registered as private personal property. For obtaining the right of land, the group held the land certificate and entered into an agreement with the registered owner, which specified that the Company retain all rights and obligations of the land and pledged the land as collateral for the Company.

(l) Other non-current financial assets

	December 31, 2021	December 31, 2020
Refundable deposit	\$ 102,555	102,762
Debt obligation receivable— The Splendor Hospitality International Co., Ltd.	575,000	575,000
Debt obligation receivable— Chin Ling Steel Co., Ltd. — non-guarantee	23,250	23,250
Less: Accumulated impairment— Debt obligation receivable- Chin Ling Steel Co., Ltd.	(23,250)	(23,250)
	<u>\$ 677,555</u>	<u>677,762</u>

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

December 31, 2021				
<u>Underlying</u>	<u>Obligation Cost</u>	<u>Obligation Principal</u>	<u>Valuation Assessment</u>	<u>Collateral</u>
The Splendor Hospitality International	<u>\$ 575,000</u>	<u>796,845</u>	According to the assessment of Zhonglian Real Estate Appraiser Joint Office, the valuation of mortgage is \$7,674,024 thousand. After deducting the 1 st security, which was amounted to \$3,960,000 thousand, the residual mortgage attributed to the Group was amounted to \$1,857,012 thousand.	The building of The Splendor Hospitality International (the 2 nd security)
December 31, 2020				
<u>Underlying</u>	<u>Obligation Cost</u>	<u>Obligation Principal</u>	<u>Valuation Assessment</u>	<u>Collateral</u>
The Splendor Hospitality International	<u>\$ 575,000</u>	<u>796,845</u>	According to the assessment of Jones Lang Lasalle Real Estate Appraiser Joint Office, the valuation of mortgage is \$7,056,000 thousand. After deducting the 1 st security, which was amounted to \$3,960,000 thousand, the residual mortgage attributed to the Group was amounted to \$1,548,000 thousand.	The building of The Splendor Hospitality International (the 2 nd security)

- (ii) As of December 31, 2021 and 2020, the costs and principal of debt obligation from Chin Ling Steel were \$23,250 thousand and \$118,561 thousand, respectively.

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

(m) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank borrowings	\$ 950,000	510,000
Notes and bills payable	<u>399,813</u>	<u>299,619</u>
Total	<u>\$ 1,349,813</u>	<u>809,619</u>
Unused credit limit	<u>\$ 250,000</u>	<u>710,000</u>
Range of interest rates	<u>0.52%~1.16%</u>	<u>0.52%~1.00%</u>

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

(n) Long-term borrowings

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

	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Range of Interest Rates</u>	<u>Term</u>	<u>Amount</u>
Unsecured bank borrowings	NTD	1.00%~1.52%	2023	\$ 2,880,000
Secured bank borrowings	NTD	0.90%~1.90%	2023~2024	5,284,746
Less: Current portion				(895,582)
Unamortized long-term borrowings costs				<u>(503)</u>
Total				<u>\$ 7,268,661</u>
Unused credit limit				<u>\$ 364,942</u>
	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Range of Interest Rates</u>	<u>Term</u>	<u>Amount</u>
Unsecured bank borrowings	NTD	1.00%~1.52%	2022	\$ 2,000,000
Secured bank borrowings	NTD	0.90%~1.90%	2022~2024	4,367,696
Less: Current portion				-
Unamortized long-term borrowings costs				<u>(824)</u>
Total				<u>\$ 6,366,872</u>
Unused credit limit				<u>\$ 324,212</u>

(i) Borrowing covenants

The Company entered into a borrowing contract in a total credit of \$3,150,000 thousand with financial institutions on April 23, 2019. According to the contract, during the borrowing repayment periods the Company should file annual and semi-annual consolidated financial statements which were audited and reviewed by CPA and must comply with certain financial covenants, such as the current ratio shall be greater than or equal to 100%, the financial debt ratio shall be less than or equal to 180%, the interest coverage ratio shall be greater than or equal to 5 times, and the tangible net value shall be greater than or equal to \$14,000,000 thousand. The compliance with the aforementioned covenants will be examined semi-annually.

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

As of December 31, 2021, the Company was in compliance with the above borrowing covenants.

- (ii) Please refer to Note 8 for details of the related assets pledged as collateral.
- (iii) For the information regarding the Company's credit limits approved by financial institution which was obtained by pledging assets from related parties, please refer to Note 7.

(o) Lease liabilities

The details of the lease liabilities is as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 175,148</u>	<u>171,380</u>
Non-current	<u>\$ 1,645,551</u>	<u>1,807,930</u>

For the maturing analysis, please refer to Note 6 (y).

The amounts recognized in profit or loss is as follows:

	For the Years Ended December 31	
	2021	2020
Interest on lease liabilities	<u>\$ 23,998</u>	<u>26,083</u>
Expenses relating to leases short-term assets	<u>\$ 13,834</u>	<u>12,624</u>
Covid-19-related rent concessions (recognized as other revenue)	<u>\$ 4,336</u>	<u>-</u>

The amounts recognized in the statement of cash flows is as follows:

	For the Years Ended December 31	
	2021	2020
Total cash outflow for leases	<u>\$ 206,148</u>	<u>210,683</u>

(i) Real estate leases

The Company leases land and buildings for its offices, retail stores and future project development. The leases of offices, typically run for a period of 2 years, retail stores for a period of 15 years, and the land use rights leased for future project development for 40 to 50 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices, or sales that the Company makes at the leased store in the period. Some also require the Company to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

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CHINA METAL PRODUCTS CO., LTD.
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Some leases of equipment contain extension or cancellation options exercisable by the Company up to one year before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Company and not by the lessors. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Company leases equipment and transportation, with lease terms of 2 to 6 years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Company also leases equipment and machinery, dormitory and company cars with contract terms of one year. These leases are short-term or low-value items which the Company has elected not to recognize right-of-use assets and lease liabilities.

(p) Provisions

	Financial Guarantee Contracts
Balance on January 1, 2021	\$ 33,269
Provision	1,949
Unwinding of discount	<u>(13,929)</u>
Balance on December 31, 2021	<u>\$ 21,289</u>
Balance on January 1, 2020	\$ 44,756
Provision	1,918
Unwinding of discount	<u>(13,405)</u>
Balance on December 31, 2020	<u>\$ 33,269</u>

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

(q) Operating leases

The Company leases out investment properties under operating lease which was classified based on not transferring substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset to the lessee. Please refer to Note 6(j) for the regarding information on investment properties.

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CHINA METAL PRODUCTS CO., LTD.
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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Less than one year	\$ 12,836	12,299
One to two years	<u>45</u>	<u>11,520</u>
Total undiscounted lease payments	<u><u>\$ 12,881</u></u>	<u><u>23,819</u></u>

For the years ended December 31, 2021 and 2020, rental revenues from investment properties amounted to \$11,978 thousand and \$11,961 thousand, respectively. The equipment and maintenance costs arising from the investment properties (recognized under "operating costs") are \$0 thousand.

(r) Employee benefits

(i) Defined benefit plans

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 50,848	48,717
Fair value of plan assets	<u>(63,499)</u>	<u>(61,770)</u>
Net defined benefit assets	<u><u>\$ (12,651)</u></u>	<u><u>(13,053)</u></u>

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

1) Composition of plan assets

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

The Company's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to \$63,499 thousand on the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows:

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

	For the Years Ended December 31	
	2021	2020
Defined benefit obligations on January 1	\$ 48,717	59,668
Current service costs and interest	864	1,405
Remeasurements of the net defined benefit liability (asset)		
— Return on plan assets (not including current interest cost)	1,911	553
— Actuarial gains (losses) from changes in demographic assumptions	1,073	(516)
Benefits paid by the plan	(1,717)	(12,393)
Defined benefit obligation on December 31	<u>\$ 50,848</u>	<u>48,717</u>
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, 2021 and 2020 are as follows:

	For the Years Ended December 31	
	2021	2020
Fair value of plan assets on January 1	\$ 61,770	67,311
Interest revenue	390	672
Remeasurements of the net defined benefit liability (asset)		
— Return on plan assets (not including current interest cost)	803	2,003
Contributed amount	2,253	2,366
Benefits paid by the plan	(1,717)	(10,582)
Fair value of plan asset on December 31	<u>\$ 63,499</u>	<u>61,770</u>
4) Changes in the effect of the asset ceilings: None.		
5) Expenses recognized in profit and loss		

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2021 and 2020 are as follows:

	For the Years Ended December 31	
	2021	2020
Current service cost	\$ 562	821
Net interest on net defined benefit asset	(88)	(88)
	<u>\$ 474</u>	<u>733</u>

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CHINA METAL PRODUCTS CO., LTD.
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- 6) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

	For the Years Ended December 31	
	2021	2020
Cumulative amount on January 1	\$ 23,579	25,545
Recognized during the year	2,181	(1,966)
Cumulative amount on December 31	\$ 25,760	23,579

- 7) Actuarial assumptions

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

	2021.12.31	2020.12.31
Discount rate	0.625 %	0.625 %
Future salary increase rate	2.500 %	2.500 %

Based on the actuarial report, the Company is expected to make a contribution payment of \$2,213 thousand to the defined benefit plans for the one year period after the reporting date of 2021.

The weighted-average duration of the defined benefit plans is 11.53 years.

- 8) Sensitivity analysis

As of December 31, 2021 and 2020, 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, 2021		
Discount rate	\$ (1,112)	1,144
Future salary increase rate	1,099	(1,072)
December 31, 2020		
Discount rate	(1,178)	1,225
Future salary increase rate	1,177	(1,135)

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CHINA METAL PRODUCTS CO., LTD.
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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 (asset).

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

(ii) Defined contribution plans

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

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2021 and 2020 amounted to \$7,429 thousand and \$7,250 thousand, respectively.

(iii) As of December 31, 2021 and 2020, the Company's employee benefits retirement expenses amounted to \$0 thousand and \$207 thousand, respectively.

(s) Income taxes

(i) The income taxes (benefit) expense for the years ended December 31, 2021 and 2020 are as follows:

	For the Years Ended December 31	
	2021	2020
Current income taxes expense		
Current period incurred	\$ 22,778	32,753
Surtax on undistributed earnings	6,846	6,551
Adjustment for prior periods	<u>(10,891)</u>	<u>(12,761)</u>
	<u>18,733</u>	<u>26,543</u>
Deferred benefit gains		
Losses (gains) on foreign exchange	585	(1,070)
Gains from overseas investment	(67,161)	(8,221)
Gains from sales leaseback	<u>(13,084)</u>	<u>(13,084)</u>
	<u>(79,660)</u>	<u>(22,375)</u>
Income tax (benefit) expense	<u>\$ (60,927)</u>	<u>4,168</u>

Income tax on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2021 and 2020 are as follows:

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Notes to the Financial Statements

	For the Years Ended December 31	
	2021	2020
Profit before income tax	\$ 1,150,471	561,626
Income tax expense at domestic statutory tax rate	230,094	112,325
Losses on domestic investment	(160,000)	-
Investment losses accounted for using equity method	(196,747)	(91,794)
Domestic investment incomes under Article 42 of Income Tax Act	(2,707)	(5,681)
Unrecognized deferred tax assets of Tax losses	99,463	-
Change on unrecognized temporary differences	(2,561)	579
5% surtax on undistributed earnings	6,846	6,551
Prior overestimate/underestimate income tax	(10,891)	(12,761)
Tax incentives	(22,802)	-
Others	(1,622)	(5,051)
Income tax expense	<u>\$ (60,927)</u>	<u>4,168</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The unrecognized deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ 1,736</u>	<u>4,297</u>

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 are as follows:

Deferred tax assets:

	Gain on Non- performing Loan
Balance on January 1, 2021	<u>\$ 9,206</u>
Balance on December 31, 2021	<u>\$ 9,206</u>
Balance on January 1, 2020	<u>\$ 9,206</u>
Balance on December 31, 2020	<u>\$ 9,206</u>

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

Deferred tax liabilities:

	<u>Land Value Increment</u>	<u>Foreign Exchange Gains (Losses)</u>	<u>Gains from Overseas Investment</u>	<u>Gains from Sale Leaseback</u>	<u>Total</u>
Balance on January 1, 2021	\$ 28,979	(1,228)	282,053	101,404	411,208
Debit (credit) on income statement	-	585	(67,161)	(13,084)	(79,660)
Balance on December 31, 2021	<u>\$ 28,979</u>	<u>(643)</u>	<u>214,892</u>	<u>88,320</u>	<u>331,548</u>
Balance on January 1, 2020	\$ 28,979	(158)	290,274	114,488	433,583
Debit (credit) on income statement	-	(1,070)	(8,221)	(13,084)	(22,375)
Balance on December 31, 2020	<u>\$ 28,979</u>	<u>(1,228)</u>	<u>282,053</u>	<u>101,404</u>	<u>411,208</u>

3) The income tax returns of the Company through 2019 (except for 2018) had been assessed and approved by the Tax Authority.

(t) Share capital and other interests

(i) Ordinary shares

As of December 31, 2021 and 2020, the authorized capital of the Company are 5,000,000 thousand shares, with par value of \$10 per share. The outstanding shares were amounted to \$3,761,221 thousand and the capital that arose from the shares had all been retrieved.

(ii) Capital surplus

The components of the capital surplus are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
From issuance of share capital	\$ 611,272	611,272
Employee stock option of subsidiaries	33,352	33,352
From conversion of convertible bonds	843,035	843,035
Changes in equity of associates and joint ventures accounted for using equity method	-	143
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	<u>611</u>	<u>-</u>
	<u>\$ 1,488,270</u>	<u>1,487,802</u>

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.

(Continued)

CHINA METAL PRODUCTS CO., LTD.
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(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. If all or part of the aforementioned employees' compensation is distributed in cash, the resolution will be approved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and the distribution shall be submitted to the shareholders' meeting.

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

When a company incurs no loss for the year, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

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 as issued by the Financial Supervisory Commission, a special reverse equals to the contra account of other shareholders' equity is appropriated from current and prior period earnings. The amount of special reserve of the Company of 2020 was appropriated from current and prior period earnings. The amount of special reserve of the Company of 2021 was appropriated from current period earnings plus other line item in the retained earnings movements 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, 2021 and 2020, 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.

The Company decided to set aside \$7,028 thousand special reserve in the shareholders' meeting on June 22, 2020. The aforementioned information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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CHINA METAL PRODUCTS CO., LTD.
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3) Earnings distribution

The amount of cash dividends of appropriations of the Company's 2020 and 2019 earnings was based on the resolutions decided during the meetings of the Board of Directors held on March 30, 2021 and May 12, 2020, respectively. The appropriations of other earnings for 2020 and 2019 had been approved in the shareholders' meeting on July 30, 2021 and June 22, 2020 respectively. These earnings are appropriated as follows:

	For the Years Ended December 31			
	2020		2019	
	Allotment (NTD)	Amount	Allotment (NTD)	Amount
Common stock dividends per share				
Cash	\$ 1.03	<u><u>387,406</u></u>	0.92	<u><u>346,727</u></u>

The amount of cash dividends of appropriations of the Company's 2021 earnings was based on the resolution decided during the meetings of the Board of Directors held on March 30, 2022.

	For the Years Ended December 31	
	2021	
	Allotment (NTD)	Amount
Common stock dividends per share		
Cash	\$ 2.11	<u><u>793,618</u></u>

(iv) Treasury shares

For the year ended December 31, 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 9,130 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2020, a total of 9,130 thousand shares were cancelled.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

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CHINA METAL PRODUCTS CO., LTD.
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(v) Other equity (net of tax)

	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) from Financial Assets Measured at FVOCI	Total
Balance on January 1, 2021	\$ 32,198	93,833	126,031
Exchange differences on foreign operations	(57,490)	-	(57,490)
Unrealized (losses) on financial assets measured at FVOCI	-	(12,650)	(12,650)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(3,106)	(3,106)
Balance on December 31, 2021	<u>\$ (25,292)</u>	<u>78,077</u>	<u>52,785</u>
Balance on January 1, 2020	\$ (143,749)	87,640	(56,109)
Exchange differences on foreign operations	175,947	-	175,947
Unrealized gain on financial assets measured at FVOCI	-	6,193	6,193
Balance on December 31, 2020	<u>\$ 32,198</u>	<u>93,833</u>	<u>126,031</u>

(u) Earnings per share

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

	For the Years Ended December 31	
	2021	2020
Basic earnings per share		
Profit attributable to owners of the parent	\$ <u>1,211,398</u>	<u>557,458</u>
Weighted average number of ordinary shares	376,122	385,252
Effect of Treasury shares	-	(5,212)
Weighted average number of ordinary shares	<u>376,122</u>	<u>380,040</u>
Basic earnings per share	<u>\$ 3.22</u>	<u>1.47</u>
Diluted earnings per share		
Profit attributable to owners of the parent (after the adjustment of diluted ordinary shares)	\$ <u>1,211,398</u>	<u>557,458</u>
Weighted average number of ordinary shares	376,122	380,040
Effect of potential diluted ordinary shares		
Employee stock option	1,198	687
Weighted average number of ordinary shares (after the adjustment of diluted ordinary shares)	<u>377,320</u>	<u>380,727</u>
Diluted earnings per share	<u>\$ 3.21</u>	<u>1.46</u>

(Continued)

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

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the Year Ended December 31		
	2021		
	Metal Manufacturing Segment	Lifestyle Hospitality Segment	Total
Major geographic markets:			
Taiwan	\$ 791,927	332,792	1,124,719
United States	49,597	-	49,597
Canada	158,223	-	158,223
Japan	47,809	-	47,809
China	4,148	-	4,148
Europe	127,122	-	127,122
South America	3,626	-	3,626
Others	11,127	-	11,127
	\$ 1,193,579	332,792	1,526,371
Major product/service lines:			
Iron casting hardware	\$ 1,193,579	-	1,193,579
Counter commissions	-	264,410	264,410
Others	-	68,382	68,382
	\$ 1,193,579	332,792	1,526,371
	For the Year Ended December 31		
	2020		
	Metal Manufacturing Segment	Lifestyle Hospitality Segment	Total
Major geographic markets:			
Taiwan	\$ 556,038	347,739	903,777
United States	43,559	-	43,559
Canada	118,597	-	118,597
Japan	41,809	-	41,809
China	3,557	-	3,557
Europe	70,536	-	70,536
South America	1,892	-	1,892
Others	30,325	-	30,325
	\$ 866,313	347,739	1,214,052

(Continued)

CHINA METAL PRODUCTS CO., LTD.
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	For the Year Ended December 31		
	2020		
	Metal Manufacturing Segment	Lifestyle Hospitality Segment	Total
Major product/service lines:			
Iron casting hardware	\$ 866,313	-	866,313
Counter commissions	-	273,584	273,584
Others	-	74,155	74,155
	\$ 866,313	347,739	1,214,052

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable	\$ 353,760	256,614	199,049
Less: Loss allowance	(849)	(553)	(6,505)
Total	\$ 352,911	256,061	192,544
Contract assets	\$ -	-	-
Contract liabilities –Advanced receipts	\$ 10,470	7,631	2,994

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

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liabilities balance at the beginning of the period were \$6,204 thousand and \$1,045 thousand, respectively.

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.

(w) 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. The employees to whom the Company distributes employees' compensation, or issued new restricted employee shares, employee stock option certificates, preemptive right of new shares, and transfer of shares include the employees of subsidiaries which are qualified with the requirements stipulated by the Board of Directors.

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CHINA METAL PRODUCTS CO., LTD.
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For the years ended December 31, 2021 and 2020, appropriated employees' compensation by \$34,016 thousand and \$16,606 thousand, respectively, and appropriated remuneration of directors by \$30,371 thousand and \$14,826 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, 2021 and 2020. 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 was no significant difference between employees' compensation and remuneration of directors approved by the Board of Directors meeting and the estimated amount for the year of 2020.

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.

(x) Non-operating income and expenses

(i) Interest income

The information on interest income is listed as follows:

	For the years ended December 31	
	2021	2020
Interest income from bank deposits	\$ 943	5,291
Interest income from financial guarantee contracts	13,928	13,405
Interest income from loans to related parties	335	302
Others	771	1,033
Total interest income	<u>\$ 15,977</u>	<u>20,031</u>

(ii) Other income

The information on other income is listed as follows:

	For the Years Ended December 31	
	2021	2020
Dividend income	\$ 13,536	28,407
Rental revenue	14,039	12,920
Others	44,114	36,557
Total other income	<u>\$ 71,689</u>	<u>77,884</u>

(Continued)

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

(iii) Other gains and losses

	For the Years Ended December 31	
	2021	2020
(Losses) gain on disposals of property, plant and equipment	\$ (1,470)	4,120
Foreign exchange losses	(17,756)	(38,486)
Other expenses	(732)	(1,176)
Lease modification gains	11	892
Losses on disposal of investment	(3,005)	-
Net amount of other gains and losses	\$ (22,952)	(34,650)

(iv) Finance costs

	For the Years Ended December 31	
	2021	2020
Bank borrowing interest expense	\$ 83,820	79,306
Lease liability interest expense	23,998	26,083
Bank borrowing costs	1,716	1,748
	\$ 109,534	107,137

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(ii) Liquidity risk

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

	Contractual Cash Flow	Within 1 year	Within 1-2 years	Within 2-5 years	Over 5 Years
December 31, 2021					
Non-derivative financial liabilities					
Bank borrowings	\$ 9,751,865	2,503,417	3,525,087	3,723,361	-
Lease liabilities	2,047,009	197,030	196,639	605,162	1,048,178
Notes and accounts payables (including related parties)	321,996	321,996	-	-	-
Other payables (including related parties)	376,318	376,318	-	-	-
	\$ 12,497,188	3,398,761	3,721,726	4,328,523	1,048,178

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CHINA METAL PRODUCTS CO., LTD.
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	<u>Contractual Cash Flow</u>	<u>Within 1 year</u>	<u>Within 1-2 years</u>	<u>Within 2-5 years</u>	<u>Over 5 Years</u>
December 31, 2020					
Non-derivative financial liabilities					
Bank borrowings	\$ 7,331,584	886,218	2,798,838	3,646,528	-
Lease liabilities	2,229,229	195,308	193,792	592,672	1,247,457
Notes and accounts payables (including related parties)	272,461	272,461	-	-	-
Other payables (including related parties)	262,801	262,801	-	-	-
	<u>\$ 10,096,075</u>	<u>1,616,788</u>	<u>2,992,630</u>	<u>4,239,200</u>	<u>1,247,457</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 15,135	27.68	418,928	18,795	28.48	535,282
EUR	1,005	31.32	31,474	367	35.02	12,849
JPY	54,534	0.2405	13,115	34,790	0.2763	9,613
CNY	114	4.34	493	689	4.38	3,015
THB	1,437	0.83	1,200	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	44	27.68	1,224	53	28.48	1,513
EUR	23	31.32	705	23	35.02	812
JPY	450	0.2405	108	-	-	-
CNY	45	4.34	197	18	4.38	77

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, borrowings, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Company's functional currency as of December 31, 2021 and 2020 would have increased (decreased) the after-tax net income for the years ended December 31, 2021 and 2020 by \$3,704 thousand and \$4,467 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

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As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2021 and 2020, the foreign exchange (losses) gains, including both realized and unrealized, were amounted to \$(17,756) thousand and \$(38,486) thousand, 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 Company's net income will decrease /increase by \$91,142 thousand and \$68,769 thousand for the years ended December 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate borrowing.

(v) Other market price risk

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

	For the Years Ended December 31			
	2021		2020	
	Other Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)	Other Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)
Increase 10%	\$ 17,839	-	19,482	-
Decrease 10%	\$ (17,839)	-	(19,482)	-

(vi) Fair value of financial instruments

1) Fair value hierarchy

The Company measured its financial assets at FVOCI on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

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	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets at FVOCI	<u>\$ 178,394</u>	<u>-</u>	<u>-</u>	<u>178,394</u>	<u>178,394</u>
Financial assets measured at amortized cost	<u>\$ 2,864,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost	<u>\$ 12,158,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets at FVOCI	<u>\$ 194,824</u>	<u>-</u>	<u>-</u>	<u>194,824</u>	<u>194,824</u>
Financial assets measured at amortized cost	<u>\$ 1,777,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost	<u>\$ 9,698,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

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

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

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

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

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

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

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CHINA METAL PRODUCTS CO., LTD.
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- 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, 2021 and 2020.

4) Reconciliation of Level 3 instruments

	Noncurrent Financial Assets at FVOCI
	Equity Instrument without Quoted Price
Balance on January 1, 2021	\$ 194,824
Total gains or losses recognized as other comprehensive income	(15,597)
Receipts from capital reduction	(833)
Balance on December 31, 2021	\$ 178,394
Balance on January 1, 2020	\$ 216,065
Receipts from capital reduction	(21,241)
Balance on December 31, 2020	\$ 194,824

The total gains or losses is listed under "unrealized gains and losses on financial assets at FVOCI". The information on assets held as of December 31, 2021 and 2020 and is as follows:

	For the Years Ended December 31	
	2021	2020
Total gains or losses		
Recognized as other comprehensive income (which is listed under "unrealized (losses) gains on financial assets of FVOCI")	\$ (12,650)	6,193

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

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

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

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CHINA METAL PRODUCTS CO., LTD.
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Quantified information on significant unobservable inputs is as follows:

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement</u>
Financial assets at FVOCI - equity investments without active market	Dividend discount model	<ul style="list-style-type: none"> • Average expected future dividend income of 5 years (As of December 31, 2021 and 2020, were \$14~26,213 and \$17~29,388 thousand.) • Weighted average capital cost (As of December 31, 2021 and 2020, were 3.48% and 4.70%, respectively.) • Discounting rate without market liquidity (As of December 31, 2021 and 2020, were both 15%) 	<ul style="list-style-type: none"> • The estimated fair value would increase, if the 5-year average expected future dividend income is increased. • The estimated fair value would decrease, if the weighted average capital cost is increased. • The estimated fair value would decrease, if the discounting rate without market liquidity is increased.

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

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

	<u>Fluctuation</u>		<u>Other Comprehensive Income</u>	
	<u>Inputs</u>	<u>in Inputs</u>	<u>Favourable</u>	<u>Unfavourable</u>
December 31, 2021				
Financial assets at FVOCI				
Equity investments without an active market	3.48 %	1%	6,671	(6,335)
December 31, 2020				
Financial assets at FVOCI				
Equity investments without an active market	4.70 %	1%	6,755	(6,421)

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.

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(z) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts and other receivable

The exposure of the credit risk is depend on each customer. The Company assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country. For the years ended December 31, 2021 and 2020, there were no geographical concentration of credit risk.

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

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

2) Investment

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

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3) Guarantees

As of December 31, 2021 and 2020, please refer to Note 7 and 13 (a)(ii) for the details of financial guarantees of subsidiaries and joint venture provided by the Company.

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

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

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

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

2) Interest rate risk

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

3) Other market price risk

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

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(aa) Capital management

The objectives of the Board's policy are to maintain an optimal capital structure to keep the investors, creditors, the market faith, and the future operation.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2021, the Company's capital management strategy is consistent with the prior year as of December 31, 2020. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2021 and 2020, is as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Total liabilities	\$ 12,536,940	10,171,618
Less: Cash and cash equivalents	<u>(1,329,592)</u>	<u>(519,514)</u>
Net debt	11,207,348	9,652,104
Total equity	<u>12,774,615</u>	<u>12,026,394</u>
Total capital	<u>\$ 23,981,963</u>	<u>21,678,498</u>
Debt-to-capital ratio	<u>46.73 %</u>	<u>44.52 %</u>

(ab) Investing activities not affecting the current cash flow

The Company's investing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020, were as follows:

Reconciliation of assets arising from investing activities were as follows:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u> <u>Reclassification</u>	<u>December 31,</u> <u>2021</u>
Other non-current assets	\$ <u>790,747</u>	<u>1,192,960</u>	<u>(18,864)</u>	<u>1,964,843</u>
			<u>Non-cash changes</u> <u>Reclassification</u>	<u>December 31,</u> <u>2020</u>
Other non-current assets	\$ <u>460,191</u>	<u>330,556</u>	<u>-</u>	<u>790,747</u>

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(7) Related-party transactions:

(a) The ultimate parent company

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

(b) Names and relationship with related parties

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

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
United Elite Agents Limited (UEA)	Subsidiaries
Atrans Precision Industries Co., Ltd. (Atrans Precision)	Subsidiaries
Sunflower Investment Co., Ltd. (Sunflower Investment)	Subsidiaries
The Hotel National Co., Ltd. (The Hotel National)	Subsidiaries
CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (CMAI)	Subsidiaries
CMJ Co., Ltd. (CMJ)	Subsidiaries
National Management Co., Ltd. (National Management)	Subsidiaries
PUJEN Land Development Co., Ltd. (PUJEN Land Development)	Subsidiaries
Pu Sheng Construction Co., Ltd. (Pu Sheng Construction)	Subsidiaries
Shangrila Tourism Co., Ltd. (Shangrila Tourism)	Subsidiaries
InterContinental Taichung Co., Ltd. (InterContinental Taichung)	Subsidiaries
Calligraphy Greenway Plaza Co., Ltd. (Calligraphy Greenway Plaza)	Subsidiaries
China Metal International Holdings Inc. (CMI)	Subsidiaries
China Metal International (BVI) Limited (CMI (BVI))	Subsidiaries
CMW (Cayman Islands) Co., Ltd. (CMW (C.I.))	Subsidiaries
CMB (H.K.) Co., Ltd. (CMB (H.K.))	Subsidiaries
Suzhou CMB Machinery Co., Ltd. (Suzhou CMB)	Subsidiaries
CMP (H.K.) Industry Co., Ltd. (CMP (H.K.))	Subsidiaries
Tianjin CMT Industry Co., Ltd. (Tianjin CMT)	Subsidiaries
Suzhou CMS Machinery Co., Ltd. (Suzhou CMS)	Subsidiaries
CMW (Tianjin) Industry Co., Ltd. (CMW (Tianjin))	Subsidiaries
CMI (Wu Han) Precision Machinery Co., Ltd. (CMH)	Subsidiaries
Qingdao Sourcing Specialists Trading Co., Ltd. (Qingdao Sourcing Specialists)	Subsidiaries
FAR HSING (SAMOA) ENTERPRISE CO., LTD. (FAR HSING (SAMOA))	Subsidiaries
CHINGENG Land Development Co., Ltd. (CHINGENG Land Development)	Subsidiaries
PUJEN CHENGMEI Land Development Co., Ltd. (PUJEN CHENGMEI Land Development)	Subsidiaries
PUCHIA Land Development Co., Ltd. (PUCHIA Land Development)	Subsidiaries

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Notes to the Financial Statements

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Qinxin Trade Co., Ltd. (Qinxin Trade)	Subsidiaries
CMAI Holding, Inc. (CMAI Holding)	Subsidiaries
Pilot Drive, LLC. (Pilot)	Subsidiaries
CMAI INDUSTRIES, INC. (CMAI N.A.)	Subsidiaries
The Splendor Hospitality International Co., Ltd. (The Splendor Hospitality)	Joint ventures
CMAAN Health Co. Ltd. (CMAAN Health)	Joint ventures
Keng-Hsin Urban Renewal Co. Ltd. (Keng-Hsin Urban Renewal)	Associates of subsidiaries
Beyond Fitness Co., Ltd. (Beyond Fitness)	Associates of subsidiaries
Fantasystory Co., Ltd.	Associates of subsidiaries
Amida Trustlink Assets Management Co., Ltd. (Amida Trustlink Assets)	Associates
Advancision Corporation (Advancision)	Subsidiaries of subsidiaries' associates
Mr. Ting Fung, Lin	Key management
Kemitek Industrial Corp. (Kemitek Industrial)	Other related parties
CMP PUJEN Foundation for Arts and Culture (Foundation)	Other related parties
Mr. Ming Shiann, Ho	Other related parties
Mr. Chung Chieh, Liu	Other related parties
Gee Lien Resource Development Corp.	Other related parties
Chain-Yuan Investment Co., Ltd.	Other related parties

(c) Significant transactions with related parties

(i) Sales to related parties

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

	<u>For the Years Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ 85,242	58,721
Joint ventures	342	6
Associates	51	187
Other related parties	-	168
	<u>\$ 85,635</u>	<u>59,082</u>

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

(Continued)

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

(ii) Purchases from related parties

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

	For the Years Ended December 31	
	2021	2020
Subsidiaries	\$ <u>758</u>	<u>7</u>

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

(iii) Receivables due from related parties

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

Accounts	Categories	December 31, 2021	December 31, 2020
Accounts receivables	Subsidiaries	\$ 30,198	18,510
Accounts receivables	Other related parties	-	176
Total		\$ <u>30,198</u>	<u>18,686</u>
Other receivables	Subsidiaries	\$ 2,181	2,569
Other receivables	Associates	43	43
Other receivables	Joint ventures	55	8
Total		\$ <u>2,279</u>	<u>2,620</u>

(iv) Payables due to related parties

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

Accounts	Categories	December 31, 2021	December 31, 2020
Accounts payable	Subsidiaries	\$ <u>129</u>	<u>-</u>
Other payables	Subsidiaries	10,278	10,936
Other payables	Joint ventures	446	14
Other payables	Other related parties	203	16
Other payables	Key management	56	85
Total		\$ <u>10,983</u>	<u>11,051</u>
Other notes payables	Other related parties	\$ <u>4</u>	<u>4</u>

(Continued)

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

(v) Prepayments

The information on prepayments is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 100</u>	<u>-</u>

(vi) Loans to Related Parties

The loans to related parties is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ -</u>	<u>53,615</u>

Interest income

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	<u>\$ 335</u>	<u>302</u>

The interest charged by the Company to its related parties is based on the average interest rate charged by financial institutions on the Company's borrowings. The loans to related parties were unsecured. There are no provisions for doubtful debt required after the management's assessment.

(vii) Guarantees and endorsements

The Company guaranteed and endorsed for subsidiaries' and joint ventures' bank loaning. The ending balance of endorsement guarantee was \$2,758,180 thousand and \$2,758,180 thousand and the actual borrowing amount was \$2,115,956 thousand and \$2,199,680 thousand, respectively, as of December 31, 2021 and 2020.

(viii) Non-performing receivables

	<u>Total Claims</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Joint ventures	<u>\$ 796,845</u>	<u>796,845</u>

	<u>Costs of Claims</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Joint ventures	<u>\$ 575,000</u>	<u>575,000</u>

(Continued)

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

(ix) Other transactions

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

	For the Years Ended December 31	
	2021	2020
Subsidiaries	\$ 4,672	5,545
Joint ventures	100	-
Other related parties	<u>2,970</u>	<u>2,883</u>
	<u>\$ 7,742</u>	<u>8,428</u>

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

	For the Years Ended December 31	
	2021	2020
Associates	<u>\$ 262</u>	<u>283</u>

- 3) The information on providing management consulting service to related parties is as follows:

	For the Years Ended December 31	
	2021	2020
Subsidiaries	\$ 9,649	9,330
Joint ventures	<u>4,812</u>	<u>6,250</u>
	<u>\$ 14,461</u>	<u>15,580</u>

- 4) The information on providing guarantees and endorsements to related parties is as follows:

	For the Years Ended December 31	
	2021	2020
Joint ventures:		
The Splendor Hospitality	\$ 13,595	13,080
Others	<u>333</u>	<u>325</u>
	<u>\$ 13,928</u>	<u>13,405</u>

- 5) The information on management consulting service provided by related parties is as follows:

	For the Years Ended December 31	
	2021	2020
Subsidiaries	<u>\$ 63,829</u>	<u>66,704</u>

(Continued)

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

- 6) The information on entertainment and travel expense arose from catering and accommodation provided by related parties is as follows:

	For the Years Ended December 31	
	2021	2020
Subsidiaries	\$ 165	603
Joint ventures	234	-
Other related parties	-	63
	\$ 399	666

- 7) The information on other services or transactions provided by related parties is as follows:

	For the Years Ended December 31	
	2021	2020
Subsidiaries	\$ 5,787	1,417
Other related parties	-	18
	\$ 5,787	1,435

- 8) The information on donation to related parties is as follows:

	For the Years Ended December 31	
	2021	2020
Other related parties: Foundation	\$ 5,000	5,580

- 9) The information on construction and engineering service for Taichung development project provided by subsidiary (recognized under other non-current assets) is as follows:

	December 31,	December 31,
	2021	2020
Subsidiaries	\$ 179,593	172,124
Other related party	3,273	3,029
	\$ 182,866	175,153

	For the Years Ended December 31	
	2021	2020
Subsidiaries	\$ 7,469	7,469
Other related parties	244	1,714
	\$ 7,713	9,183

- 10) The information on construction in retention for Taichung development projects to be paid by the Company is as follows:

	December 31,	December 31,
	2021	2020
Other related parties	\$ 344	318

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

- 11) For the year ended December 31, 2021, the Company purchased a total of 13 thousand shares from its other related parties at the amount of \$1,904 thousand.

(d) Key management transactions

The compensation of key management is as follows:

	For the Years Ended December 31	
	2021	2020
Short-term employee benefits	\$ 64,135	44,579
Post-employment benefits	607	2,398
	\$ 64,742	46,977

(8) Pledged assets

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

Pledged Assets	Object	December 31, 2021	December 31, 2020
Land (including other non-current assets)	The credit limits of long-term and short-term bank borrowings	\$ 13,319	13,319
Buildings	"	3,097	3,223
Investments accounted for using equity method	The credit limits of long-term bank borrowings	3,386,918	3,061,530
Investments properties—Land	"	2,544,164	2,294,620
		\$ 5,947,498	5,372,692

(9) Significant commitments and contingencies

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

- (i) The unrecognized contractual commitments are as follows:

	December 31, 2021	December 31, 2020
Total contract price	\$ 2,792,112	2,592,348
Total amounts paid under contracts	\$ 1,634,549	434,174

- (ii) 1) The Company and The Presbyterian Church in Taiwan entered into an real estate leasing contract, with the contract term of 40 years, commencing the day after the signing date, September 30, 2016. For the development of the leasing real estates, the Company agreed to pay development royalty amounted to \$126,000 thousand. As of December 31, 2021 and 2020, the accumulated royalty payments amounted to \$126,000 thousand, respectively, which was recognized under right-of-use assets.

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CHINA METAL PRODUCTS CO., LTD.

Notes to the Financial Statements

- 2) The Company leased a parcel of land to construct several buildings for its shopping malls and hotels. The Company agreed that the ownership of the buildings would still be under the title deed of the Presbyterian Church in Taiwan even after the completion of the construction. Upon maturity of the lease period, the Company shall dismantle the buildings and related facilities, and return the land to the Presbyterian Church in Taiwan.
- 3) The security deposits paid by the Company for land development and leased land and buildings for operating use amounted to \$97,092 thousand and \$97,092 thousand, as of December 31, 2021 and 2020, respectively.
- (iii) The Company entered into various services agreement with InterContinental Hotels Group for its hotel operation, including planning, constructing and building, as well as during the pre opening phase, and from the pre opening phase to the opening day and fifteen years afterwards. According to the contract, the fees shall be paid either based on the services rendered, or be calculated in accordance with certain ratio of the gross revenue for the fiscal year or each accounting period.

(b) Contingencies

- (i) Please refer to Note 7 for the Company's lending and guarantees and endorsements for related parties for the years ended December 31, 2021 and 2020.
- (ii) The stages of Daguangsan petition for real estate transaction and the regarding tax investigation is as follows:

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

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

The issuance of the fourth domestic unsecured convertible corporate bonds amounting to \$1.5 billion was based on the resolution decided during the board meeting held on November 11, 2021, with the declaration that took effect on December 27 of the same year. The issuance price of \$1,650,646 thousand had been fully received on January 20, 2022.

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CHINA METAL PRODUCTS CO., LTD.
Notes to the 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. The appeal was handed back over to the High Court for reconsideration on August 22, 2019, which is in trial in the Tainan Branch of Taiwan High Court.
- (b) The SFIPC filed a lawsuit against the Company, its directors and supervisors, and certain employees of the Company. On January 2, 2020, Taiwan High Court dismissed the appeal filed by the SFIPC for the second time. On February 5, 2020, the SFIPC filed an appeal to the Supreme Court against the aforementioned conviction, which is in trial in the Supreme Court.
- (c) Employee benefits, depreciation, and amortization are summarized as follows:

By function	For the Years Ended December 31					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	110,773	137,502	248,275	99,086	122,049	221,135
Labor and health insurance	10,690	10,903	21,593	9,577	10,555	20,132
Pension	2,976	4,927	7,903	3,186	5,004	8,190
Remuneration of directors	-	40,332	40,332	-	28,111	28,111
Others	8,045	7,387	15,432	6,105	7,242	13,347
Depreciation	72,394	198,698	271,092	67,265	200,229	267,494
Amortization	1,463	3,338	4,801	1,821	2,991	4,812

For the years ended December 31, 2021 and 2020, the average numbers of Company employees were as follows:

Number of employees	<u>2021</u> <u>312</u>	<u>2020</u> <u>318</u>
Number of directors (non-employee)	<u>6</u>	<u>6</u>
Average employee benefit expense	<u>\$ 958</u>	<u>842</u>
Average employee salary expense	<u>\$ 811</u>	<u>709</u>
Percentage of average employee salary expense	<u>14.39 %</u>	
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

(Continued)

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

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) is as follows:

- (i) **Directors:**
The Company's current remuneration package to directors is salary, compensation and transportation allowance, etc., all in accordance with The Company's articles. According to Article 27-1 of the Articles of Incorporation, if the Company makes a profit of the year, the remuneration of directors is not more than 2.5% of the profit. The Company also stipulates "Remuneration Policy for Directors, Remuneration Committee, Audit Committee and Managers", considering the Company's business performance, as well as the value of their participation in and contribution to the Company's operations to provide reasonable remuneration. The reasonableness of the related remuneration has been reviewed by the Salary and Compensation Committee and the Board of Directors. The Company setup the Audit Committee on June 19, 2017, and abolished the Supervisor system.
- (ii) **Managers and employees:**
According to Article 27-1 of the Articles of Incorporation, if the Company makes a profit of the year, employees' compensation is appropriated at the rate of not less than 2.5% of the profit. The Company also stipulates "Remuneration Policy for Directors, Remuneration Committee, Audit Committee and Managers" and "Remuneration Management Measures". Remuneration includes salary and bonuses; the former is determined according to their working years and job value and the latter include employee remuneration and budget achievement bonuses and year-end bonuses, etc.. Employee compensation is allocated based on the Company's annual earnings status, taking into account their duties, responsibilities, seniority and special contributions to the Company, and standards beneficial to the Company's long-term development. Budget achievement bonus and year-end bonus are based on the performance of each department, financial performance (target revenue and profit, budget goal achievement, growth and new markets, effective financial operation and risk management), talent cultivation (elite talent cultivation, retention rate), quality and risk (compliance with laws and regulations) to provide reasonable remuneration. The usual level of payment in the industry, the reasonable distribution of personal performance, operating performance and future risk are also considered. The remuneration system is reviewed in a timely manner, based on the actual state of operation and the relevant laws and regulations, so as to strike a balance between the Company's sustainable operation and risk control.

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In 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		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 4)
													Item	Value		
0	The Company	The Hotel National	Accounts receivable due from related parties	Yes	106,615	53,000	-	1.15%	2	-	Operation requirements	-	-	-	3,832,384	5,109,845
0	The Company	UEA	Accounts receivable due from related parties	Yes	55,620	55,360	-	1.28%	2	-	Operation requirements	-	-	-	3,832,384	5,109,845
1	Tianjin CMT	Suzhou CMB	Accounts receivable due from related parties	Yes	219,000	108,500	108,500	0.75%	2	-	Operation requirements	-	-	-	319,968	426,624
1	Tianjin CMT	CMW (Tianjin)	Accounts receivable due from related parties	Yes	197,100	-	-	0.75%	2	-	Operation requirements	-	-	-	319,968	426,624
1	Tianjin CMT	CMH	Accounts receivable due from related parties	Yes	305,200	303,800	303,800	0.75%	2	-	Operation requirements	-	-	-	319,968	426,624
2	Suzhou CMS	CMH	Accounts receivable due from related parties	Yes	651,000	651,000	434,000	0.75%	2	-	Operation requirements	-	-	-	1,250,336	1,667,115
3	CMAI	Pilot	Accounts receivable due from related parties	Yes	40,383	40,136	40,136	0.17%	2	-	Operation requirements	-	-	-	39,901	53,202

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

Note 2: 1. For business transactions.

2. For the necessity of short-term financing.

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of NTD)

No.	Name of Guarantor/Endorsee	Counter-party of Guarantee and Endorsement		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)
		Name	Relationship with the Company (Note 1)										
0	The Company	Sunflower Investment	1	5,109,845	220,000	110,000	70,000	-	0.86 %	6,387,307	Y	N	N
0	The Company	The Hotel National	1	5,109,845	100,000	50,000	10,000	-	0.39 %	6,387,307	Y	N	N
0	The Company	Shangrila Tourism	1	5,109,845	902,500	652,500	380,500	-	5.11 %	6,387,307	Y	N	N
0	The Company	The Splendor Hospitality	2	5,109,845	2,150,000	1,900,000	1,630,000	-	14.87 %	6,387,307	N	N	N
0	The Company	CMAAN Health	2	5,109,845	45,680	45,680	25,456	-	0.36 %	6,387,307	N	N	N
1	CMAI N.A.	Pilot	4	42,819	47,228	-	-	-	- %	42,819	N	N	N
2	CMI	UEA	3	3,936,480	1,229,597	1,129,922	1,129,922	-	11.48 %	4,920,601	N	N	N

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

- 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.
- 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, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of NTD)

Name of Holder	Category and Name of Security	Relationship with Issued Company	Account	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	MEITA Industrial Co., Ltd.	The Company is the legal person	Financial assets at fair value through other comprehensive income—non-current	1,351,164	119,433	3.12 %	119,433	
The Company	YUHUA Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	4,999	207	1.25 %	207	
The Company	FUHUA Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	5,000	674	1.67 %	674	
The Company	GUANGYUAN Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	3,750,000	33,824	3.91 %	33,824	
The Company	DEVELOPMENT Venture Capital Co., Ltd.	The Company is the legal person	Financial assets at fair value through other comprehensive income—non-current	4,400,000	24,256	4.00 %	24,256	
The Company	Pacific Electric Wire & Cable Co., Ltd.	-	Current financial assets at FVTPL	81,666	-	0.01 %	-	
Sunflower Investment	YungTay Engineering Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	573,000	36,901	0.14 %	36,901	
Sunflower Investment	Fantasystory Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	1,742,746	-	19.80 %	-	
Sunflower Investment	il.COM, INC	-	Financial assets at fair value through other comprehensive income—non-current	100,000	-	0.52 %	-	
The Hotel National	Century National Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	35,600	-	2.34 %	-	
Atrans Precision	Acore Material Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	42,466	-	2.12 %	-	

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

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

- (v) Information on the acquisition of real estate exceeding NT\$300 million or 20% of the capital stock:

(In Thousands of NTD)

Name of Company	Type of Property	Transaction Date	Transaction Amount	Amount Paid	Counter-party	Nature of Relationship	Prior Transaction with Related Party				Price Reference	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship	Transfer Date	Amount			
PUJEN Land Development	70% ownership portion of No.81-81-3-81-4-81-12, Sec. 2, Fulin Rd., Shilin Dist., Taipei City, Taiwan (R.O.C.)	May 19, 2021	\$ 1,249,741	Fully paid-up	EVERRICH BUILD CO., LTD. - YUANJING LAND DEVELOPMENT Ltd.	-	-	-	-	-	The appraisal reports and market price	Acquired land for development and construction	None

- (vi) Information on the disposal of real estate exceeding of NT\$300 million or 20% of the capital stock: None

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

(In Thousands of NTD)

Name of Company	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	Percentage of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
Suzhou CMS	CMI	Subsidiaries	Sale	1,531,578	42.50 %	180 days	-	-	1,893,184	76.45%	
CMW (Tianjin)	CMW (C.I.)	Subsidiaries	Sale	1,646,021	36.18 %	180 days	-	-	1,965,891	60.98%	
Suzhou CMB	CMI	Subsidiaries	Sale	161,707	8.20 %	180 days	-	-	155,261	18.93%	

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

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

(In Thousands of NTD/In 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 197,105	-	-	-	-	-
CMW (C.I.)	CMI	Subsidiaries	Accounts receivable due from related parties, other 2,389,750	-	-	-	CNY 28,500,000	-
CMP (H.K.)	CMI	Subsidiaries	Accounts receivable due from related parties, other 348,800	-	-	-	-	-
CMW (Tianjin)	CMW (C.I.)	Subsidiaries	Accounts receivable due from related parties 1,965,891	0.89	-	-	CNY 30,380,338	-
Tianjin CMT	CMI	Subsidiaries	Accounts receivable due from related parties 260,641	-	-	-	-	-
Tianjin CMT	CMH	Affiliates	Accounts receivable due from related parties, other 303,800	-	-	-	-	-
Tianjin CMT	Suzhou CMB	Affiliates	Accounts receivable due from related parties, other 108,500	-	-	-	-	-
Suzhou CMB	CMI	Subsidiaries	Accounts receivable due from related parties 155,261	-	-	-	-	-
Suzhou CMS	CMI	Subsidiaries	Accounts receivable due from related parties 1,893,184	0.95	-	-	CNY 31,786,862	-
Suzhou CMS	CMH	Affiliates	Accounts receivable due from related parties, other 434,000	-	-	-	-	-

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

- (ix) Trading in derivative instruments:None

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Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (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, 2021			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
The Company	UEA	British Virgin Islands	Investing in CMI	865,286	865,286	667,820	100.00 %	7,216,190	593,428	593,428	Subsidiaries
The Company	Sunflower Investment	Taiwan	Investing	99,000	99,000	67,006,291	99.00 %	955,692	136,732	135,364	Subsidiaries
The Company	Atrans Precision	Taiwan	Vehicle parts processing	247,218	247,218	25,782,134	72.24 %	398,080	41,027	30,548	Subsidiaries
The Company	CMJ	Japan	Cast iron product retailing	4,887	4,887	500	83.33 %	99,127	39,017	32,512	Subsidiaries
The Company	CMAI	Hong Kong	Vehicle parts retailing	24,036	15,466	1,000,000	100.00 %	133,005	18,311	17,727	Subsidiaries
The Company	Pu Sheng Construction	Taiwan	Residents, commercial buildings and factories leasing and developing	-	30	-	- %	-	(17)	5,538	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 %	4,424,651	1,045,277	573,004	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)	(753)	-	Investees accounted for using equity method
The Company	The Hotel National	Taiwan	International tourist hotel services and other hotel business approved by the Ministry of Transportation and Communications	1,515,952	1,305,233	5,000,000	100.00 %	912,270	(43,106)	(44,997)	Subsidiaries
The Company	National Management	Taiwan	Management and consulting services	10,000	10,000	1,000,000	100.00 %	11,733	(988)	(3,264)	Subsidiaries
The Company	The Splendor Hospitality	Taiwan	International tourist hotel services	975,000	975,000	17,500,000	50.00 %	165,955	(151,298)	(89,244)	Joint ventures accounted for using equity method
The Company	Shangrila Tourism	Taiwan	Amusement park and hotel services	559,470	359,470	22,131,840	97.65 %	418,825	(13,620)	(12,134)	Subsidiaries
The Company	CMAAN Health	Taiwan	Management and consulting services	50,000	50,000	5,000,000	50.00 %	42,734	9,737	5,141	Joint ventures accounted for using equity method
The Company	Inter Continental Taichung	Taiwan	International tourist hotel services	88,800	300	8,880,000	100.00 %	88,637	(111)	(111)	Subsidiaries
The Company	Calligraphy Greenway Plaza	Taiwan	Management and consulting services	59,000	30,000	5,900,000	100.00 %	57,101	(4,116)	(1,839)	Subsidiaries
Sunflower Investment	PUJEN Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	280,768	280,768	42,269,213	15.07 %	1,141,827	1,045,277	-	Exempt from disclosure Subsidiaries of the Company
Sunflower Investment	Atrans Precision	Taiwan	Vehicle parts processing	77,836	77,836	4,737,380	13.27 %	72,627	41,027	-	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 %	(7,727)	(753)	-	Exempt from disclosure Investee 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 %	27,626	(20,338)	-	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 136,536,250	823,281,475	83.27 %	USD 300,446,683	USD 26,471,756	-	Exempt from disclosure Subsidiaries of UEA
CMI	CMI (BVI)	British Virgin Islands	Investing in CMP (H.K.)	USD 280,426	USD 280,426	161	100.00 %	CNY 1,283,402,564	CNY 88,087,916	-	Exempt from disclosure Subsidiaries of CMI
CMI	CMW (C.I.)	Cayman Islands	Investing in CMW (Tianjin) and CMH	USD 75,156,500	USD 75,156,500	50,000,000	100.00 %	CNY 1,825,953,086	CNY 84,405,818	-	Exempt from disclosure Subsidiaries of CMI
CMI	CMB (H.K.)	Hong Kong	Investing in Suzhou CMB	USD 85,820,000	USD 85,820,000	82,000,000	100.00 %	CNY 556,960,596	CNY (18,891,741)	-	Exempt from disclosure Subsidiaries of CMI
CMI(BVI)	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 1,287,087,506	CNY 88,087,916	-	Exempt from disclosure Subsidiaries of CMI (BVI)
CMAI	CMAI Holding	USA	Investing	USD 8,328,644	USD 8,328,644	10,000	100.00 %	USD 2,525,168	USD (141,541)	-	Exempt from disclosure Subsidiaries of CMAI
CMAI Holding	Pilot	USA	Assets leasing	USD 8,328,644	USD 8,328,644	-	100.00 %	USD 2,525,168	USD (141,541)	-	Exempt from disclosure Subsidiaries of CMAI Holding
Pilot	CMAI N.A.	USA	Vehicle parts retailing	USD 7,792,972	USD 7,792,972	10,000	100.00 %	USD 1,546,960	USD (270,210)	-	Exempt from disclosure Subsidiaries of Pilot
Atrans Precision	FAR HSING (SAMOA)	SAMOA	Investing	USD 3,922,055	USD 3,922,055	3,922,055	100.00 %	118,127	(4,390)	-	Exempt from disclosure Subsidiaries of Atrans Precision
FAR HSING (SAMOA)	ADVANCISION (CAYMAN)	Cayman Islands	Investing and cast iron product retailing	USD 4,959,029	USD 4,959,029	9,068,414	21.59 %	USD 4,126,843	USD (726,158)	-	Exempt from disclosure Investees of FAR HSING (SAMOA) accounted for using equity method
PUJEN Land Development	Pu Sheng Construction	Taiwan	Residents, commercial buildings and factories leasing and developing	-	20	-	- %	-	(17)	-	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	250,928	32,864,188	30.00 %	422,353	370,468	-	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	1,500	72,500	150,000	50.00 %	37,367	78,024	-	Exempt from disclosure Subsidiaries of PUJEN Land Development

(Continued)

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

Name of Investor	Name of Investee	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
PUJEN Land Development	PUJEN CHENGMEI Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	94,500	94,500	9,450,000	70.00 %	68,958	(154)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	PUCHIA Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	50	35,000	5,000	50.00 %	8,678	31,617	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	Shangrila Tourism	Taiwan	Amusement park and hotel services	89,867	89,867	532,960	2.35 %	10,121	(13,620)	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 %	5,300	428	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	4,050	4,050	494,333	36.82 %	2,342	(7,335)	Exempt from disclosure	Investees of PUJEN Land Development accounted for using equity method

(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, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses) (Notes 2,3)	Book Value (Note 3)	Accumulated Remittance of Earnings in Current Period (Note 5)
					Outflow	Inflow						
Tianjin CMT	Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling	830,400 (USD 30,000)	2	388,238	-	-	388,238	(19,918) (CNY 4,589)	83.27%	(16,494) (CNY 3,800)	1,066,562 (CNY 245,752)	82,542
Suzhou CMS	Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling	664,320 (USD 24,000)	2	423,406	-	-	423,406	405,278 (CNY 93,382)	83.27%	335,504 (CNY 77,305)	4,168,520 (CNY 960,489)	14,601
Suzhou CMB	Cast iron product designing, manufacturing and retailing	2,269,760 (USD 82,000)	2	-	-	-	-	(69,117) (CNY 15,926)	83.27%	(57,236) (CNY 13,188)	2,600,768 (CNY 599,255)	-
CMW (Tianjin)	Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling	885,760 (USD 32,000)	2	-	-	-	-	453,750 (CNY 104,551)	83.27%	375,714 (CNY 86,570)	5,076,754 (CNY 1,169,759)	-
CMH	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	885,760 (USD 32,000)	2	-	-	-	-	(37,406) (CNY 8,619)	83.27%	(30,976) (CNY 7,137)	911,287 (CNY 209,974)	-
Qingdao Sourcing Specialists	Cast iron product retailing	2,768 (USD 100)	2	-	-	-	-	6,926 (JPY 27,119)	83.33%	5,772 (JPY 22,598)	48,700 (JPY 202,493)	-

(ii) Limitation on investment in Mainland China:

(In Thousands of NTD and USD)

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 4)
811,644	5,774,629 (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 principal in China', which obtained the certification documents of the operational scope of the operational headquarters from the Industrial Development Bureau, Ministry of Economic Affairs, with the valid period from March 3, 2020 to March 2, 2023. The restriction on the cumulative investment amount or proportion in China is not applicable.

Note 5: As of December 31, 2021, the Company had obtained a surplus of \$3,024,627 thousand (USD 100,455 thousand) from the investment companies set up in the third region. The surplus was remitted to the companies by the subsidiaries which was invested indirectly in China and then was remitted to Taiwan. It was impossible to distinguish the remittance from the company in China.

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

(Continued)

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

(iii) Significant transactions: None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Chain-Yuan Investment Co., Ltd.		53,379,965	14.19 %
Fubon Life Assurance Co., Ltd.		27,944,000	7.42 %
Mr. Ming Shiann, Ho		26,312,540	6.99 %

(14) Segment information:

The segment information please refer to the consolidated financial statement for the year ended December 31, 2021.

CHINA METAL PRODUCTS CO., LTD.**Statement of Cash and Cash Equivalents****December 31, 2021****(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 1,340
Cash in transit		4,505
Cash in banks	Checking accounts deposits	1,449
	Demand deposits	1,200,451
	Foreign currency deposits USD3,089 thousand	85,514
	EUR96 thousand	3,055
	JPY13,594 thousand	3,269
	THB1,437 thousand	1,200
	CNY114 thousand	493
	Foreign currency time deposits USD1,023 thousand	<u>28,316</u>
		<u>\$ 1,329,592</u>

Statement of Inventories

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net Realizable Value</u>	
Raw materials	\$ 4,748	3,022	NRV
Materials	8,509	8,098	"
Work in process	45,374	45,374	"
Semi-finished goods	13,461	12,352	"
Finished goods (including inventories in transit)	31,158	29,012	"
Merchandise	6,359	6,359	"
Less: Allowance for inventory write-down	<u>(5,392)</u>	<u>-</u>	
Total	<u>\$ 104,217</u>	<u>104,217</u>	

CHINA METAL PRODUCTS CO., LTD.

Statement of Changes in Investments Accounted for Using the Equity Method

December 31, 2021

(In Thousands of New Taiwan Dollars)

Name of Investee	Beginning Balance		Addition		Deduction		Share of Profit (Loss) of Investments Accounted for Using Equity Method	Exchange Difference on Translation of Foreign Financial Statements	Changes in Equity of Investments Accounted for Using Equity Method	Share of Other Comprehensive Income of Subsidiaries, Associates and Joint Ventures	Unrealized Gains (Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income	Other	Ending Balance			Market Value or Net Assets Value			
	Shares	Amount	Shares	Amount	Shares	Amount							Shares	Percentage of Ownership	Amount	Unit price	Total amount	Collateral	
Long-term investments																			
Accounted for using equity method:																			
United Elite Agents Limited (Note 1)	667,820	\$ 7,248,073	-	-	-	565,115	593,428	(46,434)	(13,762)	-	-	-	667,820	100.00	7,216,190	10,774.27	7,195,274	None	
Sunflower Investment Co., Ltd. (Note 1)	67,006,291	920,427	-	-	-	97,159	135,364	(228)	(5,469)	(188)	(160)	3,105	67,006,291	99.00	955,692	14.26	955,692	"	
Atrans Precision Industries Co., Ltd. (Note 1)	25,782,134	372,056	-	-	-	4,125	30,548	(91)	-	(308)	-	-	25,782,134	72.24	398,080	15.34	395,396	"	
CMJ Co., Ltd. (Note 1)	500	77,382	-	-	-	4,012	32,512	(6,755)	-	-	-	-	500	83.33	99,127	198,253.85	99,127	"	
Amida Trustlink Assets Management Co., Ltd.	16,763,726	(21,760)	-	-	-	-	-	-	-	-	-	-	16,763,726	35.21	(21,760)	0.61	10,191	"	
CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (Note 1)	940,000	134,696	60,000	8,570	-	24,617	17,727	(3,982)	611	-	-	-	1,000,000	100.00	133,005	133.01	133,005	"	
Pu Sheng Construction Co., Ltd. (Note 1)	3,000	239	-	-	3,000	5,777	5,538	-	-	-	-	-	-	-	-	-	-	-	"
PUJEN Land Development Co., Ltd. (Note 1)	158,877,643	4,111,233	-	-	-	238,316	573,004	-	(20,767)	(503)	-	-	158,877,643	56.65	4,424,651	27.37	4,348,675	Note3	
The Hotel National Co., Ltd.	31,200,000	746,172	4,200,000	210,719	30,400,000	-	(44,997)	-	-	376	-	-	5,000,000	100.00	912,270	(0.66)	(3,289)	Note4	
The Splendor Hospitality International Co., Ltd. (Note 2)	97,500,000	253,251	-	1,948	80,000,000	-	(89,244)	-	-	-	-	-	17,500,000	50.00	165,955	8.28	144,860	None	
National Management Co., Ltd. (Note 1)	1,000,000	16,819	-	-	-	1,822	(3,264)	-	-	-	-	-	1,000,000	100.00	11,733	14.01	14,009	"	
Shangrila Tourism Co., Ltd.	18,131,840	194,399	20,000,000	200,000	16,000,000	-	(12,134)	-	36,750	(190)	-	-	22,131,840	97.65	418,825	9.07	200,717	"	
CMAAN Health Co., Ltd.	5,000,000	37,593	-	-	-	-	5,141	-	-	-	-	-	5,000,000	50.00	42,734	8.55	42,734	"	
Inter Continental Taichung Co., Ltd.	30,000	248	8,850,000	88,500	-	-	(111)	-	-	-	-	-	8,880,000	100.00	88,637	9.98	88,637	"	
Calligraphy Greenway Plaza	3,000,000	29,940	2,900,000	29,000	-	-	(1,839)	-	-	-	-	-	5,900,000	100.00	57,101	9.29	54,825	"	
Total		\$ 14,120,768		538,737		940,943	1,241,673	(57,490)	(2,637)	(813)	(160)	3,105			14,902,240				

Note 1: The decreasing amounts of this period are the cash dividend amounted to \$935,167 thousand. and the sell of Pu Shen Construction Co., Ltd. with book value of \$5,777 thousand.

Note 2: The increasing amounts of this period are the additional guarantee provision amounted to \$1,948 thousand.

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

Note 4: 5,000,000 shares of the Company were pledged as collateral for obtaining credit limits.

CHINA METAL PRODUCTS CO., LTD.
Statement of Property, Plant and Equipment
For the Year Ended December 31, 2021
(In Thousands of New Taiwan Dollars)

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

Statement of Short-term Borrowings
December 31, 2021

<u>Loan Type</u>	<u>Lender</u>	<u>Amount</u>	<u>Financing Period</u>	<u>Interest Rates</u>	<u>Credit Line</u>	<u>Mortgage Guarantee</u>	<u>Note</u>
Unsecured	Taipei Fubon	\$ 300,000	2021.12.24~2022.01.24	1.00%	-	-	
Unsecured	Chang Hwa Bank	200,000	2021.12.14~2022.02.12	1.00%	-	-	
Unsecured	Shin Kong Bank	200,000	2021.12.21~2022.01.03	1.04%	-	-	
Unsecured	Taiwan Cooperative Bank	100,000	2021.12.30~2022.02.10	1.16%	-	-	
Unsecured	The Export-Import Bank of the Republic of China	<u>150,000</u>	2021.02.17~2022.03.30	0.52%	-	-	
		<u>\$ 950,000</u>					

Statement of Short-term Bills Payable

<u>Item</u>	<u>Guarantee or Acceptance Institution</u>	<u>Financing Period</u>	<u>Interest Rates</u>	<u>Amount</u>			<u>Note</u>
				<u>Total Amount</u>	<u>Unamortized Discount</u>	<u>Carrying Amount</u>	
Short-term Bills Payable	International Bills	2022.01.14	0.988%	\$ 100,000	(35)	99,965	
	Mega Bills	2022.01.14	0.988%	100,000	(35)	99,965	
	China Bills	2022.01.24	0.988%	100,000	(63)	99,937	
	Dah Chung Bills	2022.01.21	0.988%	<u>100,000</u>	<u>(54)</u>	<u>99,946</u>	
				<u>\$ 400,000</u>	<u>(187)</u>	<u>399,813</u>	

CHINA METAL PRODUCTS CO., LTD.

Statement of Long-term Borrowings

December 31, 2021

(In Thousands of New Taiwan Dollars)

Creditor	Description	Financing Period	Interest Rates	Amount		Collateral
				Due within one year	Due over one year	
Shin Kong Bank	Secured Borrowings	2021.12.15~2024.10.15	1.04 %	-	300,000	Note 1
Bank SinoPac	Secured Borrowings	2021.12.10~2024.12.10	0.90 %	-	1,300,000	Note 1, Notes 2 and 3
CTBC Bank	Secured Borrowings	2021.11.03~2023.10.31	1.15 %	-	600,000	Note 1
Mega Bank	Secured Borrowings	2021.07.27~2023.07.26	1.15 %	-	180,000	Note 2
Mega Bank	Secured Borrowings	2021.07.27~2023.07.26	1.20 %	-	120,000	Note 2
CTBC Bank	Unsecured Borrowings	2021.11.30~2023.10.31	1.15 %	-	100,000	-
O-Bank Co., Ltd.	Unsecured Borrowings	2021.10.29~2023.10.28	1.09 %	-	200,000	-
En Tie Commercial Bank	Unsecured Borrowings	2021.11.26~2023.12.26	1.15 %	-	300,000	-
Jih Sun Bank	Unsecured Borrowings	2021.11.30~2023.11.30	1.15 %	-	200,000	-
Cathay United Bank	Unsecured Borrowings	2021.01.21~2023.01.21	1.05 %	-	100,000	-
Bank of Taiwan	Unsecured Borrowings	2021.12.30~2023.12.30	1.03 %	-	100,000	-
KGI Bank	Unsecured Borrowings	2021.03.19~2023.03.19	1.09 %	-	300,000	-
Land Bank of Taiwan	Unsecured Borrowings	2021.06.30~2023.06.30	1.00 %	-	150,000	-
Yuanta Bank	Unsecured Borrowings	2021.11.16~2023.11.15	1.15 %	-	150,000	-
Taishin International Bank	Unsecured Borrowings	2021.12.30~2023.12.30	1.05 %	-	600,000	-
Bank of Panhsin	Unsecured Borrowings	2021.06.13~2023.06.13	1.52 %	-	100,000	-
Bank of East Aisa	Unsecured Borrowings	2021.12.20~2023.12.20	1.13 %	-	200,000	-
Chang Hwa Bank	Unsecured Borrowings	2021.08.04~2023.08.04	1.15 %	190,000	190,000	-
Bank SinoPac	Land Loan	2019.12.04~2024.12.04	1.80 %	705,582	1,130,114	Note 4
Bank SinoPac	Land Loan	2021.12.30~2024.12.04	1.80 %	-	90,250	Note 4
Bank SinoPac	Syndicated Loan	2019.10.15~2024.10.14	1.90 %	-	858,800	Note 1
Less: Issuance Cost				-	(503)	
				<u>\$ 895,582</u>	<u>7,268,661</u>	

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

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

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

Note 4: The collateral is the land in Taichung.

CHINA METAL PRODUCTS CO., LTD.**Statement of Operating Revenue****For the Year Ended December 31, 2021****(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Manufacturing:	
Cast iron products	\$ <u>1,193,579</u>
Department Store:	
Rental revenue	36,648
Counter commissions	<u>264,410</u>
Subtotal	<u>301,058</u>
Other operating revenue	<u>31,734</u>
Net operating revenue	<u><u>\$ 1,526,371</u></u>

Note: The above amount had been deducted the allowance of sales return and discount amounted to \$31,260 thousand.

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Costs

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw Material	
Balance on January 1	\$ 7,211
Add: Purchases	298,894
Gain on physical inventory count of raw material	1,019
Less: Balance on December 31	(4,748)
Transfer to expenses	(310)
Raw material used in this period	302,066
Material	
Balance on January 1	6,267
Add: Purchases	175,258
Gain on physical inventory count of material	134
Less: Balance on December 31	(8,509)
Transfer to expenses	(62,818)
Material used in this period	110,332
Direct labor	73,190
Manufacturing overhead	475,929
Manufacturing costs	961,517
Add: Balance of work in process on January 1	22,710
Less: Balance of work in process on December 31	(45,374)
Add: Balance of semi-finished goods on January 1	28,631
Purchases	13,257
Less: Loss on physical inventory count	(1,306)
Balance of semi-finished goods on December 31	(13,461)
Transfer to expenses	(3,897)
Cost of finished goods	962,077
Add: Balance of finished goods on January 1	36,595
Less: Loss on physical inventory count of finished goods	(279)
Balance of finished goods on December 31	(31,158)
Transfer to expenses	(7,428)
Cost of goods sold – Finished goods	959,807
Balance of merchandise on January 1	5,644
Add: Purchases	8,155
Less: Balance of merchandise on December 31	(6,359)
Transfer to expenses	(555)
Transfer to other prepayments	(1,268)
Cost of goods sold – Merchandise	5,617
Add: Raw material and mold cost	712
Others	1,778
Losses on physical inventory count	432
Less: gain from reversal of write-down	(8,560)
Income from sale of scraps and others	(3,311)
Operating costs	\$ 956,475

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Expenses

For the Year Ended December 31, 2021

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling Expenses</u>	<u>Administrative Expenses</u>	<u>Research and Development Expenses</u>
Salary expense	\$ 13,342	162,061	845
Freight charges	10,826	42	-
Export expense	13,183	-	-
Administrating expense	-	99,399	-
Depreciation	222	198,476	-
Other (Each of the items was less than 5% of the total account balance)	5,274	112,073	239
	<u>\$ 42,847</u>	<u>572,051</u>	<u>1,084</u>