

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

**with Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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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 sheet as of December 31, 2023 and 2022, 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 material 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, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 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 Financial Statements Audit and Attestation engagement of Certified Public Accountants and Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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, 2023 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 of the metal manufacturing segment

For the segment 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Tseng, Kuo-Yang and Chih, Shih-Chin.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2024

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Notes 6(a) and (y))	\$ 434,510	2	2,031,113	8	2100	Short-term borrowings (Notes 6(l), (y) and 8)	\$ 1,611,567	6	2,279,820	8
1170	Notes and accounts receivable, net (Notes 6(c), (v) and (y))	200,772	1	248,461	1	2130	Current contract liabilities (Note 6(v))	3,653	-	6,021	-
1180	Accounts receivable due from related parties, net (Notes 6(y) and 7)	14,971	-	33,894	-	2170	Notes and accounts payable (Notes 6(y) and 7)	320,150	1	335,642	1
1200	Other receivables (Note 6(y))	26,090	-	27,364	-	2200	Other payables (Notes 6(y) and 7)	500,845	2	296,384	1
1210	Other receivables due from related parties (Notes 6(y) and 7)	2,672	-	13,146	-	2230	Current income tax liabilities	12,189	-	13,448	-
130X	Inventories (Note 6(d))	87,371	-	146,390	1	2280	Current lease liabilities (Notes 6(o) and (y))	187,589	1	178,337	1
1410	Prepayments (Note 7)	23,388	-	31,316	-	2300	Other current liabilities	4,218	-	4,604	-
1470	Other current assets	79,305	-	78,460	-	2310	Advance receipts	321	-	1,836	-
1476	Other current financial assets (Note 8)	59	-	382,144	1	2322	Long-term borrowings, current portion (Note 6(m))	1,884,800	7	250,000	1
	Total current assets	<u>869,138</u>	<u>3</u>	<u>2,992,288</u>	<u>11</u>		Total current liabilities	<u>4,525,332</u>	<u>17</u>	<u>3,366,092</u>	<u>12</u>
Non-current assets:						Non-current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (Notes 6(b) and (y))	142,751	1	149,363	1	2500	Non-current financial liabilities at fair value through profit or loss (Notes 6(n) and (y))	-	-	8,253	-
1510	Total non-current financial assets at fair value through profit or loss (Notes 6(n) and (y))	156	-	-	-	2530	Bonds payable (Notes 6(n) and (y))	1,445,763	5	1,560,633	6
1550	Investments accounted for using equity method (Notes 6(e), (f) and 8)	16,737,559	63	15,374,107	57	2541	Long-term bank loans (Notes 6(m), (y) and 8)	5,720,350	22	7,354,135	27
1600	Property, plant and equipment (Notes 6(g), 8 and 9)	725,728	3	741,921	3	2580	Non-current lease liabilities (Notes 6(o) and (y))	1,285,057	5	1,471,026	6
1755	Right-of-use assets (Notes 6(h) and 9)	1,411,936	5	1,594,440	6	2640	Non-current net defined benefit liabilities (Note 6(r))	5,920	-	5,920	-
1760	Investment property, net (Notes 6(i) and 8)	2,892,174	11	2,816,333	10	2570	Deferred tax liabilities (Note 6(s))	352,256	1	360,824	1
1780	Intangible assets	17,885	-	12,180	-	2600	Other non-current liabilities (Note 6(p))	63,411	-	195,715	1
1840	Deferred tax assets (Note 6(s))	132,487	-	132,487	-		Total non-current liabilities	<u>8,872,757</u>	<u>33</u>	<u>10,956,506</u>	<u>41</u>
1900	Other non-current assets (Notes 6(j), 7 and 9)	3,065,317	11	2,684,302	10		Total liabilities	<u>13,398,089</u>	<u>50</u>	<u>14,322,598</u>	<u>53</u>
1980	Other non-current financial assets (Notes 6(k), 7 and 9)	685,457	3	682,118	2	Equity attributable to owners of parent (Note 6(t)):					
	Total non-current assets	<u>25,811,450</u>	<u>97</u>	<u>24,187,251</u>	<u>89</u>	3100	Ordinary share	3,787,865	14	3,761,221	14
						3200	Capital surplus	1,600,373	6	1,542,440	6
						3300	Retained earnings	8,004,646	30	7,492,071	27
						3400	Other equity	(110,385)	-	61,209	-
							Total equity	<u>13,282,499</u>	<u>50</u>	<u>12,856,941</u>	<u>47</u>
	Total assets	<u>\$ 26,680,588</u>	<u>100</u>	<u>27,179,539</u>	<u>100</u>		Total liabilities and equity	<u>\$ 26,680,588</u>	<u>100</u>	<u>27,179,539</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, 2023 and 2022

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

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenues (Notes 6(v) and 7)	\$ 1,243,369	100	1,450,791	100
5000	Operating costs (Notes 6(d) and 7)	<u>(744,422)</u>	<u>(60)</u>	<u>(870,389)</u>	<u>(60)</u>
	Gross profit from operations	<u>498,947</u>	<u>40</u>	<u>580,402</u>	<u>40</u>
	Operating expenses (Note 7):				
6100	Selling expenses	(38,331)	(3)	(35,394)	(3)
6200	Administrative expenses	(686,198)	(55)	(629,627)	(43)
6450	Expected credit (losses) gains (Note 6(c))	<u>(68)</u>	<u>-</u>	<u>338</u>	<u>-</u>
	Total operating expenses	<u>(724,597)</u>	<u>(58)</u>	<u>(664,683)</u>	<u>(46)</u>
	Net operating loss	<u>(225,650)</u>	<u>(18)</u>	<u>(84,281)</u>	<u>(6)</u>
	Non-operating income and expenses:				
7100	Interest income (Notes 6(x) and 7)	16,989	1	16,568	1
7010	Other income (Note 6(x))	132,740	11	89,125	6
7020	Other gains and losses (Note 6(x))	10,578	1	37,717	3
7050	Finance costs (Note 6(x))	(135,626)	(11)	(91,459)	(6)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Note 6(e))	<u>1,151,145</u>	<u>93</u>	<u>707,155</u>	<u>48</u>
	Total non-operating income and expenses	<u>1,175,826</u>	<u>95</u>	<u>759,106</u>	<u>52</u>
7900	Profit from continuing operations before tax	950,176	77	674,825	46
7950	Add: Tax income (Note 6(s))	<u>15,051</u>	<u>1</u>	<u>130,300</u>	<u>9</u>
8000	Profit from continuing operations	<u>965,227</u>	<u>78</u>	<u>805,125</u>	<u>55</u>
	Profit	<u>965,227</u>	<u>78</u>	<u>805,125</u>	<u>55</u>
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Gains on remeasurements of defined benefit plans (Note 6(r))	-	-	4,048	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income (Note 6(y))	(3,112)	-	(20,744)	(1)
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	<u>498</u>	<u>-</u>	<u>3,377</u>	<u>-</u>
	Total items that may not be reclassified subsequently to profit or loss	<u>(2,614)</u>	<u>-</u>	<u>(13,319)</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>(170,285)</u>	<u>(14)</u>	<u>35,488</u>	<u>3</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(170,285)</u>	<u>(14)</u>	<u>35,488</u>	<u>3</u>
8300	Other comprehensive income (after tax)	<u>(172,899)</u>	<u>(14)</u>	<u>22,169</u>	<u>2</u>
8500	Comprehensive income	<u>\$ 792,328</u>	<u>64</u>	<u>827,294</u>	<u>57</u>
	Earnings per share (Note 6(u))				
9750	Basic earnings per share	<u>\$ 2.56</u>		<u>2.14</u>	
9850	Diluted earnings per share	<u>\$ 2.20</u>		<u>1.85</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, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings				Other 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	Total Equity
Balance on January 1, 2022	\$ 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
Profit for the year ended December 31, 2022	-	-	-	-	805,125	805,125	-	-	-	805,125
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	7,425	7,425	35,488	(20,744)	14,744	22,169
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	812,550	812,550	35,488	(20,744)	14,744	827,294
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	120,840	-	(120,840)	-	-	-	-	-
Cash dividends	-	-	-	-	(793,618)	(793,618)	-	-	-	(793,618)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	5,608	-	-	-	-	-	-	-	5,608
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(5,520)	(5,520)	-	-	-	(5,520)
Recognition of equity component items from convertible bonds	-	48,562	-	-	-	-	-	-	-	48,562
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	6,320	6,320	-	(6,320)	(6,320)	-
Balance on December 31, 2022	3,761,221	1,542,440	1,964,848	49,081	5,478,142	7,492,071	10,196	51,013	61,209	12,856,941
Profit for the year ended December 31, 2023	-	-	-	-	965,227	965,227	-	-	-	965,227
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	498	498	(170,285)	(3,112)	(173,397)	(172,899)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	965,725	965,725	(170,285)	(3,112)	(173,397)	792,328
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	81,335	-	(81,335)	-	-	-	-	-
Cash dividends	-	-	-	-	(451,347)	(451,347)	-	-	-	(451,347)
Conversion of convertible bonds	26,644	57,933	-	-	-	-	-	-	-	84,577
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,803)	(1,803)	-	1,803	1,803	-
Balance on December 31, 2023	\$ 3,787,865	1,600,373	2,046,183	49,081	5,909,382	8,004,646	(160,089)	49,704	(110,385)	13,282,499

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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Profit before tax	\$ 950,176	674,825
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	287,105	281,112
Amortization expense	4,897	5,136
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(8,409)	3,961
Interest expense	135,626	91,459
Expected credit losses (gains)	68	(338)
Interest income	(16,989)	(16,568)
Dividend income	(14,609)	(16,423)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,151,145)	(707,155)
Losses (gains) on disposal of property, plant and equipment	2,292	(85)
Property, plant and equipment transferred to expenses	447	1,014
Lease modification gains	(21)	(59)
Deffered credits recognized as other income	(56,484)	-
Total adjustments to reconcile profit	<u>(817,222)</u>	<u>(357,946)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable, net	47,621	104,789
Accounts receivable due from related parties, net	18,923	(3,696)
Other receivables	11,748	(13,061)
Inventories	58,826	(42,174)
Prepayments	7,942	11,503
Other current assets	(1,083)	(19,114)
Net defined benefit assets	-	22,620
Total changes in operating assets	<u>143,977</u>	<u>60,867</u>
Changes in operating liabilities:		
Notes and accounts payable (including related parties), net	(15,492)	13,646
Other payables	31,215	(24,984)
Contract liabilities	(2,368)	(4,449)
Other current liabilities	(386)	(1,501)
Advance receipts	(1,515)	(407)
Total changes in operating liabilities	<u>11,454</u>	<u>(17,695)</u>
Total changes in operating assets and liabilities	<u>155,431</u>	<u>43,172</u>
Total adjustments	<u>(661,791)</u>	<u>(314,774)</u>
Cash inflow generated from operations	288,385	360,051
Interest received	5,370	2,483
Dividends received	361,710	697,787
Interest paid	(166,805)	(118,489)
Income taxes refund	5,222	43,853
Net cash flows generated from operating activities	<u>493,882</u>	<u>985,685</u>
Cash flows from investing activities:		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,500	8,000
Acquisition of investments accounted for using equity method	(620,000)	(404,930)
Acquisition of property, plant and equipment	(88,068)	(100,748)
Proceeds from disposal of property, plant and equipment	443	220
Acquisition of intangible assets	(10,602)	(1,890)
Acquisition of investment properties	(75,841)	(171,523)
Decrease in other financial assets	378,746	59,695
Increase in other non-current assets	(381,015)	(719,459)
Net cash flows used in investing activities	<u>(792,837)</u>	<u>(1,330,635)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	3,990,000	5,080,000
Decrease in short-term borrowings	(4,657,500)	(4,200,000)
Increase in short-term notes and bills payable	(753)	50,006
Proceeds from issuing bonds	-	1,644,717
Proceeds from long-term borrowings	8,509,800	7,375,000
Repayments of long-term borrowings	(8,508,800)	(7,935,582)
Increase in other non-current liabilities	738	1,726
Cash dividends paid	(451,347)	(793,618)
Payment of lease liabilities	(179,786)	(175,778)
Net cash flows (used in) generated from financing activities	<u>(1,297,648)</u>	<u>1,046,471</u>
Net (decrease) increase in cash and cash equivalents	(1,596,603)	701,521
Cash and cash equivalents at the beginning of the year	2,031,113	1,329,592
Cash and cash equivalents at the end of the year	<u>\$ 434,510</u>	<u>2,031,113</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, 2023 and 2022

(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 14, 2024.

(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. 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, 2023:

- 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”

- (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, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (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”

(Continued)

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material 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 material 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.

(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.

(Continued)

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

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
- (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

(Continued)

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

(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:

- 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.

(Continued)

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

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.

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

(Continued)

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

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.

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;

(Continued)

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

- 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.

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.

(Continued)

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

3) 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.

4) 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.

5) 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.

6) Financial guarantee contract

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

At initial recognition, a financial guarantee contracts not designated as financial liabilities at fair value through profit or loss by the Company is recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at the higher of (a) the amount of 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.

(Continued)

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

(g) Inventories

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

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

(h) 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.

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

(Continued)

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

(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.

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.

(Continued)

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

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	3~8 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.

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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 | 2~10 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.
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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.
Notes to the Financial Statements

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

(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.

Notes to the Financial Statements

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences.
- (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:

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

(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, 2023 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, 2023 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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CHINA METAL PRODUCTS CO., LTD.
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 1,380	1,340
Cash in banks	387,065	1,118,353
Time deposits	46,065	911,420
Cash and cash equivalents	<u>\$ 434,510</u>	<u>2,031,113</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, 2023</u>	<u>December 31, 2022</u>
Equity investments at fair value through other comprehensive income		
Stocks unlisted on domestic markets—MEITA Industrial Co., Ltd.	\$ 99,955	103,188
Stocks unlisted on domestic markets—GUANGYUAN Investment Co., Ltd.	31,134	30,418
Stocks unlisted on domestic markets—DEVELOPMENT Venture Capital Co., Ltd.	11,662	15,757
Total	<u>\$ 142,751</u>	<u>149,363</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 had strategic investments in YUHUA Venture Capital Co., Ltd. and FUHUA Venture Capital Co., Ltd., whose liquidation registration procedures had been completed in 2023, resulting in the investment amounts, which had been remitted back to the Company, to be reclassified from FVOCI to other receivables, and the accumulated losses of \$1,803 thousand to be reclassified from other comprehensive income to retained earnings.
- (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, 2023 and 2022, the financial assets were not pledged as collateral.

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

(c) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable from operating activities	\$ 16,027	22,419
Accounts receivable-measured as amortized cost	<u>184,814</u>	<u>226,553</u>
Subtotal	200,841	248,972
Less: Loss allowance	<u>(69)</u>	<u>(511)</u>
Total	<u><u>\$ 200,772</u></u>	<u><u>248,461</u></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:

	<u>December 31, 2023</u>		
	<u>Gross Carrying Amount</u>	<u>Weighted Average Loss Rate</u>	<u>Loss Allowance Provision</u>
Current	\$ 189,623	0%	-
1 to 30 days past due	5,473	0%	-
31 to 90 days past due	3,388	0%	-
91 to 120 days past due	2,256	0%	-
121 days to a year past due	<u>101</u>	68.26%	<u>69</u>
	<u><u>\$ 200,841</u></u>		<u><u>69</u></u>
	<u>December 31, 2022</u>		
	<u>Gross Carrying Amount</u>	<u>Weighted Average Loss Rate</u>	<u>Loss Allowance Provision</u>
Current	\$ 224,393	0%	-
1 to 30 days past due	5,734	0%	-
31 to 90 days past due	18,070	0%	-
91 to 120 days past due	264	0%	-
121 days to a year past due	1	49.96%	1
Over a year past due	<u>510</u>	100%	<u>510</u>
	<u><u>\$ 248,972</u></u>		<u><u>511</u></u>

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Notes to the Financial Statements

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

	For the Years Ended December 31	
	2023	2022
Balance on January 1	\$ 511	849
Impairment losses recognized (recovery)	68	(338)
Amounts written off	(510)	-
Balance on December 31	<u>\$ 69</u>	<u>511</u>

The financial assets mentioned above were not pledged as collateral.

(d) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 5,230	7,243
Materials	11,137	10,113
Work in process	17,141	50,094
Semi-finished goods	11,715	36,210
Finished goods	37,225	35,181
Merchandise	4,923	7,549
	<u>\$ 87,371</u>	<u>146,390</u>

For the years ended December 31, 2023 and 2022, the cost of goods sold and expenses were amounted to \$744,422 thousand and \$870,389 thousand, respectively. For the years ended December 31, 2023 and 2022, the reversal gain (loss for inventory obsolescence) from the increase (decrease) in inventories' net realizable value amounted to \$496 thousand and \$(15,413) thousand, respectively.

The inventories were not pledged as collateral, as of December 31, 2023 and 2022.

(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, 2023	December 31, 2022
Subsidiaries	\$ 16,410,703	15,084,004
Associates	(21,760)	(21,760)
Joint ventures	348,616	311,863
	<u>\$ 16,737,559</u>	<u>15,374,107</u>

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

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2023.

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, 2023	December 31, 2022
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, 2023 and 2022, the unrealized investment losses were amounted to \$299 thousand and \$265 thousand, respectively; and the accumulated unrealized investment losses amounted to \$35,517 thousand and \$35,218 thousand, respectively.

(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, 2023	December 31, 2022
Carry amount of individually insignificant joint ventures' equity	<u>\$ 348,616</u>	<u>311,863</u>

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

	For the Years Ended December 31	
	2023	2022
Attributable to the Company:		
Net loss from continuing operations	\$ (15,958)	(48,734)
Other comprehensive income	-	-
Comprehensive income	\$ (15,958)	(48,734)

(iv) Pledge to secure

For the information on the investments accounted for using equity, as of December 31, 2023 and 2022, please refer to Note 8.

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

(i) Acquisition of subsidiary

In 2022, the Company obtained Sunflower Investment additional equity \$96 thousand, increasing the percentage ownership from 99.00% to 99.01%, respectively.

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

	For the Year Ended	
	December 31	
	2022	
	Sunflower	
	Investment	
Acquisition of non-controlling interests	\$	331
Payments to non-controlling interests		(96)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	\$	235

(g) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022 are as follows:

Cost:								Total
	Land	Buildings	Machinery	Office Equipment	Transportation Equipment	Other Equipment	Construction in Progress	
Balance on January 1, 2023	\$ 113,667	281,689	842,127	25,766	10,023	198,236	50,511	1,522,019
Additions	-	1,655	5,797	120	81	16,059	64,356	88,068
Disposals	-	(170)	(16,574)	(5,227)	(2,022)	(60)	-	(24,053)
Reclassification	-	7,891	32,866	-	-	49,515	(85,301)	4,971
Balance on December 31, 2023	\$ 113,667	291,065	864,216	20,659	8,082	263,750	29,566	1,591,005

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance on January 1, 2022	\$ 113,667	279,358	823,192	25,098	7,837	153,462	29,643	1,432,257
Additions	-	1,981	6,589	668	105	10,051	81,354	100,748
Disposals	-	-	(14,194)	-	-	(375)	-	(14,569)
Reclassification	-	350	26,540	-	2,081	35,098	(60,486)	3,583
Balance on December 31, 2022	<u>\$ 113,667</u>	<u>281,689</u>	<u>842,127</u>	<u>25,766</u>	<u>10,023</u>	<u>198,236</u>	<u>50,511</u>	<u>1,522,019</u>
Accumulated depreciation:								
Balance on January 1, 2023	\$ -	136,227	502,208	23,772	8,765	109,126	-	780,098
Depreciation	-	10,910	61,151	917	456	28,077	-	101,511
Disposals	-	(170)	(13,944)	(5,127)	(2,017)	(60)	-	(21,318)
Reclassification	-	-	4,986	-	-	-	-	4,986
Balance on December 31, 2023	<u>\$ -</u>	<u>146,967</u>	<u>554,401</u>	<u>19,562</u>	<u>7,204</u>	<u>137,143</u>	<u>-</u>	<u>865,277</u>
Balance on January 1, 2022	\$ -	124,844	460,050	22,062	6,194	82,177	-	695,327
Depreciation	-	11,383	56,352	1,710	490	25,252	-	95,187
Disposals	-	-	(14,194)	-	-	(240)	-	(14,434)
Influence from exchange rates	-	-	-	-	2,081	1,937	-	4,018
Balance on December 31, 2022	<u>\$ -</u>	<u>136,227</u>	<u>502,208</u>	<u>23,772</u>	<u>8,765</u>	<u>109,126</u>	<u>-</u>	<u>780,098</u>
Carrying value:								
Balance on December 31, 2023	<u>\$ 113,667</u>	<u>144,098</u>	<u>309,815</u>	<u>1,097</u>	<u>878</u>	<u>126,607</u>	<u>29,566</u>	<u>725,728</u>
Balance on January 1, 2022	<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 December 31, 2022	<u>\$ 113,667</u>	<u>145,462</u>	<u>339,919</u>	<u>1,994</u>	<u>1,258</u>	<u>89,110</u>	<u>50,511</u>	<u>741,921</u>

As of December 31, 2023 and 2022, 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.

(h) 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:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
Cost:							
Balance on January 1, 2023	\$ 666,672	2,391,699	6,789	16,067	1,153	120,670	3,203,050
Additions	-	703	-	4,064	-	120	4,887
Reduction for expiration	-	(1,159)	(4,985)	(3,833)	-	(64)	(10,041)
Balance on December 31, 2023	<u>\$ 666,672</u>	<u>2,391,243</u>	<u>1,804</u>	<u>16,298</u>	<u>1,153</u>	<u>120,726</u>	<u>3,197,896</u>
Balance on January 1, 2022	\$ 666,672	2,392,303	6,789	17,060	1,153	122,674	3,206,651
Additions	-	2,522	-	2,291	-	-	4,813
Reduction for expiration	-	(3,126)	-	(3,284)	-	(2,004)	(8,414)
Balance on December 31, 2022	<u>\$ 666,672</u>	<u>2,391,699</u>	<u>6,789</u>	<u>16,067</u>	<u>1,153</u>	<u>120,670</u>	<u>3,203,050</u>
Accumulated depreciation:							
Balance on January 1, 2023	\$ 104,168	1,474,207	5,631	5,132	499	18,973	1,608,610
Depreciation	16,666	160,564	527	4,462	231	3,144	185,594
Reduction for expiration	-	(1,159)	(4,985)	(2,036)	-	(64)	(8,244)
Balance on December 31, 2023	<u>\$ 120,834</u>	<u>1,633,612</u>	<u>1,173</u>	<u>7,558</u>	<u>730</u>	<u>22,053</u>	<u>1,785,960</u>
Balance on January 1, 2022	\$ 87,501	1,316,523	4,273	4,753	269	17,467	1,430,786
Depreciation	16,667	160,564	1,358	3,663	230	3,443	185,925
Reduction for expiration	-	(2,880)	-	(3,284)	-	(1,937)	(8,101)
Balance on December 31, 2022	<u>\$ 104,168</u>	<u>1,474,207</u>	<u>5,631</u>	<u>5,132</u>	<u>499</u>	<u>18,973</u>	<u>1,608,610</u>
Carrying value:							

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CHINA METAL PRODUCTS CO., LTD.
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	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
Balance on December 31, 2023	\$ 545,838	757,631	631	8,740	423	98,673	1,411,936
Balance on January 1, 2022	\$ 579,171	1,075,780	2,516	12,307	884	105,207	1,775,865
Balance on December 31, 2022	\$ 562,504	917,492	1,158	10,935	654	101,697	1,594,440

(i) Investment property

	<u>Land</u>
Cost or deemed cost:	
Balance on January 1, 2023	\$ 2,816,333
Additions	75,841
Balance on December 31, 2023	<u>\$ 2,892,174</u>
Balance on January 1, 2022	\$ 2,644,810
Additions	171,523
Balance on December 31, 2022	<u>\$ 2,816,333</u>
Carrying amounts:	
Balance on December 31, 2023	<u>\$ 2,892,174</u>
Balance on January 1, 2022	<u>\$ 2,644,810</u>
Balance on December 31, 2022	<u>\$ 2,816,333</u>
Fair value:	
Balance on December 31, 2023	<u>\$ 3,301,148</u>
Balance on January 1, 2022	<u>\$ 2,644,810</u>
Balance on December 31, 2022	<u>\$ 3,301,148</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 2 pieces of land located in Changchun Section of Taichung City on March 30, 2022. The total price of \$171,065 thousand. It had been fully paid-up as of December 31, 2022.

As of December 31, 2023 and 2022, 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

(j) Other non-current assets

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

	December 31, 2023	December 31, 2022
Construction in progress	\$ 3,062,212	2,681,197
Land	22	22
Other	3,083	3,083
	<u>\$ 3,065,317</u>	<u>2,684,302</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.
- (iii) For the years ended December 31, 2023 and 2022, the capitalized interest expense amounted to \$32,828 thousand and \$17,797 thousand, respectively. The interest capitalization rates are 2.38%~2.50% and 1.90%~2.38%, respectively.

(k) Other non-current financial assets

	December 31, 2023	December 31, 2022
Refundable deposit	\$ 110,457	107,118
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
Less: Accumulated impairment— Debt obligation receivable- Chin Ling Steel Co., Ltd.	-	(23,250)
	<u>\$ 685,457</u>	<u>682,118</u>

(Continued)

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

- (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, 2023

<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 Colliers International Real Estate Appraiser Joint Office, the valuation of mortgage is \$8,453,706 thousand. After deducting the 1 st security, which was amounted to \$3,960,000 thousand, the residual mortgage attributed to the Company was amounted to \$2,246,853 thousand.	The building of The Splendor Hospitality International (the 2 nd security)

December 31, 2022

<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 \$8,132,816 thousand. After deducting the 1 st security, which was amounted to \$3,960,000 thousand, the residual mortgage attributed to the Company was amounted to \$2,086,408 thousand.	The building of The Splendor Hospitality International (the 2 nd security)

- (ii) As of December 31, 2022, the costs and principal of debt obligation from Chin Ling Steel were \$23,250 thousand and \$118,561 thousand, respectively. Chin Ling Steel had been liquidated, wherein the accounts receivable has been written off in 2023.

(Continued)

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

(l) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank borrowings	\$ 1,162,500	1,830,000
Notes and bills payable	449,067	449,820
Total	<u>\$ 1,611,567</u>	<u>2,279,820</u>
Unused credit limit	<u>\$ 780,000</u>	<u>250,000</u>
Range of interest rates	<u>1.75%~2.2%</u>	<u>1.64%~2.50%</u>

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

(m) Long-term borrowings

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

	<u>December 31, 2023</u>			
	<u>Currency</u>	<u>Range of Interest Rates</u>	<u>Term</u>	<u>Amount</u>
Unsecured bank borrowings	NTD	1.75%~2.01%	2025	\$ 2,350,000
Secured bank borrowings	NTD	1.88%~2.55%	2024~2026	5,255,164
Less: Current portion				(1,884,800)
Unamortized long-term borrowings costs				(14)
Total				<u>\$ 5,720,350</u>
Unused credit limit				<u>\$ 871,269</u>
	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Range of Interest Rates</u>	<u>Term</u>	<u>Amount</u>
Unsecured bank borrowings	NTD	1.40%~3.00%	2023~2025	\$ 2,600,000
Secured bank borrowings	NTD	1.68%~2.43%	2024~2025	5,004,164
Less: Current portion				(250,000)
Unamortized long-term borrowings costs				(29)
Total				<u>\$ 7,354,135</u>
Unused credit limit				<u>\$ 570,007</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. As of December 31, 2023, the Company was in compliance with the above borrowing covenants.

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

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

(n) Bonds payable

The details of the bonds payable is as follows:

	December 31, 2023	December 31, 2022
Unsecured convertible bonds	\$ 1,417,400	1,500,000
Unamortized premium on bonds payable	<u>28,363</u>	<u>60,633</u>
	<u>\$ 1,445,763</u>	<u>1,560,633</u>
Embedded derivative-call option (which is listed under "non-current financial assets at FVTPL")	<u>\$ 156</u>	<u>-</u>
Embedded derivative-put option (which is listed under "non-current financial liabilities at FVTPL")	<u>\$ -</u>	<u>8,253</u>
Equity component-convertible option (which is listed under "capital surplus-stock option")	<u>\$ 45,888</u>	<u>48,562</u>
	<u>For the Years Ended December 31</u>	<u>For the Years Ended December 31</u>
	<u>2023</u>	<u>2022</u>
Embedded derivative-losses on remeasurements through fair value (which is listed under "other gains and losses")	<u>\$ 8,409</u>	<u>(3,961)</u>
Interest expense	<u>\$ (30,294)</u>	<u>(31,229)</u>

On January 24,2022, the Company issued the fourth domestic unsecured convertible corporate bonds amounting to \$1.5 billion with the following conditions:

- (i) Coupon rate: 0%
- (ii) Issuance period: Three years (maturing on January 24,2025)
- (iii) Repayment: Unless the bonds had been redeemed before maturity, repurchased and converted, the bonds will be redeemed by the Company upon maturity at par value.
- (iv) Redemption: The Company will redeem the bonds from its creditors under the following circumstances:
 - 1) The Company would repurchase the bond at par value if the close price of the Company's ordinary share listed on the Taiwan Stock Exchange exceeds or equals 30% of the conversion price for 30 consecutive days from the day after the bonds have been issued for three months to 40 days before maturity.
 - 2) The Company would repurchase the bond at par value if the outstanding balance of bonds is less than 10% of the original issuance value from the day after the bonds have been issued for three months to 40 days before maturity.

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

(v) Repurchase:

The holders can require the Company to repurchase the bonds at 100.5% of the par value from the day after the bonds have been issued for two years.

(vi) Conversion:

- 1) The holders can convert the bonds into ordinary shares according to the conversion method from the day after the bonds have been issued for three months to the expiry.
- 2) The conversion price is \$34.2 per share, which is the average close price on the first day, as well as the first three and five operating days, before the base date of the Company's ordinary share listed on the Taiwan Stock Exchange, which was on January 4, 2022, multiply by 104%. To cooperate with the ex-dividend work in 2023, the conversion price had been adjusted from \$32.0 per share in 2022 to \$31.0 per share on July 23, 2023 (ex-dividends date).

(vii) For the year ended December 31, 2023, the holders had converted their bonds into 3,125 and 2,661,267 ordinary shares of the Company, with the face value of \$100 thousand and \$82,500 thousand, and the conversion prices of \$32.0 and \$31.0 per share, respectively. However, the relevant statutory registration procedures of 1,238,700 ordinary shares have yet to be completed as the date of report.

(o) Lease liabilities

The details of the lease liabilities is as follows:

	December 31, 2023	December 31, 2022
Current	<u>\$ 187,589</u>	<u>178,337</u>
Non-current	<u>\$ 1,285,057</u>	<u>1,471,026</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	
	2023	2022
Interest on lease liabilities	<u>\$ 19,741</u>	<u>21,901</u>
Expenses relating to leases short-term assets	<u>\$ 13,383</u>	<u>12,360</u>

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

	For the Years Ended December 31	
	2023	2022
Total cash outflow for leases	<u>\$ 212,910</u>	<u>210,039</u>

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

(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.

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, 2023	\$ 9,112
Provision	52,711
Unwinding of discount	(11,620)
Balance on December 31, 2023	<u>\$ 50,203</u>
Balance on January 1, 2022	\$ 21,289
Provision	1,908
Unwinding of discount	(14,085)
Balance on December 31, 2022	<u>\$ 9,112</u>

(Continued)

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

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(i) for the regarding information on investment properties.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2023	December 31, 2022
Less than one year	\$ 12,541	12,600
One to two years	12,045	12,541
Two to three years	-	12,045
Total undiscounted lease payments	\$ 24,586	37,186

For the years ended December 31, 2023 and 2022, rental revenues from investment properties amounted to \$12,536 thousand and \$12,493 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:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 5,920	5,920
Fair value of plan assets	-	-
Net defined benefit liability	\$ 5,920	5,920

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.

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

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.

In 2022, according to the Labor Standards Law and the Labor Pension Regulations, the company has settled the old seniority with the laborers. The settlement amount is withdrawn from the special account, and the balance has been returned to the Company.

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, 2023 and 2022 are as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Defined benefit obligations on January 1	\$ 5,920	50,848
Current service costs and interest	-	523
Remeasurements of the net defined benefit liability (asset)		
— Return on plan assets (not including current interest cost)	-	717
Prior service cost and gain or loss from the settlement	-	(46,168)
Defined benefit obligation on December 31	<u>\$ 5,920</u>	<u>5,920</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, 2023 and 2022 are as follows:

	<u>For the Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Fair value of plan assets on January 1	\$ -	63,499
Interest revenue	-	393
Remeasurements of the net defined benefit liability (asset)		
— Return on plan assets (not including current interest cost)	-	4,765
Contributed amount	-	605
Benefits paid by the plan	-	(45,863)
Cash returned from the pension fund	-	(23,399)
Fair value of plan assets on December 31	<u>\$ -</u>	<u>-</u>

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

- 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, 2023 and 2022 are as follows:

	For the Years Ended December 31	
	2023	2022
Current service cost	\$ -	216
Net interest on net defined benefit asset	-	(86)
Prior service cost and gain or loss from the settlement	-	(305)
	<u>\$ -</u>	<u>(175)</u>

- 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, 2023 and 2022, are as follows:

	For the Year Ended	
	December 31	
	2022	
Cumulative amount on January 1	\$	25,760
Recognized during the year		(4,048)
Cumulative amount on December 31	<u>\$</u>	<u>21,712</u>

- (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, 2023 and 2022 amounted to \$8,801 thousand and \$8,153 thousand, respectively.

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

(s) Income taxes

(i) The income taxes benefit for the years ended December 31, 2023 and 2022 are as follows:

	For the Years Ended December 31	
	2023	2022
Current income taxes benefit		
Current period incurred	\$ -	-
Surtax on undistributed earnings	14,309	14,697
Adjustment for prior periods	<u>(20,792)</u>	<u>(50,992)</u>
	<u>(6,483)</u>	<u>(36,295)</u>
Deferred benefit gains		
Losses on foreign exchange	262	381
Gains from overseas investment	4,254	41,979
Gains from sales leaseback	(13,084)	(13,084)
Tax losses	<u>-</u>	<u>(123,281)</u>
	<u>(8,568)</u>	<u>(94,005)</u>
Income tax benefit	<u>\$ (15,051)</u>	<u>(130,300)</u>

Income tax on pre-tax financial income was reconciled with income tax benefit for the years ended December 31, 2023 and 2022 are as follows:

	For the Years Ended December 31	
	2023	2022
Profit before income tax	\$ 950,176	674,825
Income tax expense at domestic statutory tax rate	190,035	134,965
Investment gains accounted for using equity method	(195,223)	(88,847)
Domestic investment incomes under Article 42 of Income Tax Act	(2,922)	(3,285)
Change on unrecognized temporary differences	6,327	(11,956)
Recognition of previously unrecognized tax losses	-	(123,281)
5% surtax on undistributed earnings	14,309	14,697
Prior overestimate/underestimate income tax	(20,792)	(50,992)
Use tax losses	-	(35,732)
Others	<u>(6,785)</u>	<u>34,131</u>
Income tax benefit	<u>\$ (15,051)</u>	<u>(130,300)</u>

(Continued)

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The unrecognized deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Tax losses	\$ 90,566	84,656
Deductible temporary differences	5,003	4,587
	<u>\$ 95,569</u>	<u>89,243</u>

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 are as follows:

Deferred tax assets:

	Gain on Non- performing Loan	Tax losses	Total
Balance on January 1, 2023	<u>\$ 9,206</u>	<u>123,281</u>	<u>132,487</u>
Balance on December 31, 2023	<u>\$ 9,206</u>	<u>123,281</u>	<u>132,487</u>
Balance on January 1, 2022	\$ 9,206	-	9,206
Credit on income statement	-	123,281	123,281
Balance on December 31, 2022	<u>\$ 9,206</u>	<u>123,281</u>	<u>132,487</u>

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize as temporary difference.

As of December 31, 2023, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2021	<u>\$ 452,832</u>	2031

(Continued)

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, 2023	\$ 28,979	(262)	256,871	75,236	360,824
Debit (credit) on income statement	-	262	4,254	(13,084)	(8,568)
Balance on December 31, 2023	<u>\$ 28,979</u>	<u>-</u>	<u>261,125</u>	<u>62,152</u>	<u>352,256</u>
Balance on January 1, 2022	\$ 28,979	(643)	214,892	88,320	331,548
Debit (credit) on income statement	-	381	41,979	(13,084)	29,276
Balance on December 31, 2022	<u>\$ 28,979</u>	<u>(262)</u>	<u>256,871</u>	<u>75,236</u>	<u>360,824</u>

3) The income tax returns of the Company through 2021 had been assessed and approved by the Tax Authority.

(t) Share capital and other interests

(i) Ordinary shares

As of December 31, 2023 and 2022, 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 \$3,787,865 thousand and \$3,761,221 thousand, respectively and the capital that arose from the shares had all been retrieved. However, the relevant statutory registration procedures of 1,238,700 ordinary shares have yet to be completed as the date of report.

(ii) Capital surplus

The components of the capital surplus are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
From issuance of share capital	\$ 671,879	611,272
Employee stock option of subsidiaries	33,352	33,352
Stock option of convertible bonds	45,888	48,562
From conversion of convertible bonds	843,035	843,035
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	<u>6,219</u>	<u>6,219</u>
	<u>\$ 1,600,373</u>	<u>1,542,440</u>

(Continued)

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

(iii) Retained earnings

The Company's Articles of Incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval. 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 chose to apply the exemption under IFRS 1 at its initial adoption of IFRSs. Any unrealized revaluation surplus, accumulated translation adjustment, and increasing amount incurred from adopting the fair value as cost for the assets classified as investment property at the transition date, are classified to retained earnings at the amount of \$49,081 thousand. The Company shall allocate the same amount in special reserve in accordance with the requirements issued by the Financial Supervisory Commission. When there is any subsequent use, disposal, or reclassification of the relevant assets, the Company may reverse and proportionately appropriate the earnings distribution originally allocated to special reserve. The amount of special reserve as of December 31, 2023 and 2022 were \$49,081 thousand.

(Continued)

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

In accordance with the requirements issued by the FSC, a portion of earnings shall be allocated as special reserve during earnings distribution. If the Company has already reclassified a portion of earnings to special reserve under the preceding subparagraph, it shall make supplemental allocation of special reserve for any difference between the amount it has already allocated and the amount of the current-period total net reduction of other shareholders' equity. An equivalent amount of special reserve shall be allocated from the after-tax net profit in the period, plus items other than after-tax net profit in the period, that are included in the undistributed current-period earnings and the undistributed prior-period earnings. When the Company distributes its 2021 earnings in 2022, a portion of its current-period earnings and undistributed prior-period earnings shall be reclassified to special earnings reserve. When the Company distributes its 2022 earnings in 2023, the after-tax net profit in the period, plus items other than the after-tax net profit in the period, that are included in the undistributed current-period earnings and undistributed prior-period earnings, shall be reclassified to special earnings reserve. A portion of undistributed prior-period earnings shall be reclassified to special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amount of cash dividends of appropriations of the Company's 2022 and 2021 earnings was based on the resolutions decided during the meetings of the Board of Directors held on March 16, 2023 and March 30, 2022, respectively. The appropriations of other earnings for 2022 and 2021 had been approved in the shareholders' meeting on June 15, 2023 and June 24, 2022 respectively. These earnings are appropriated as follows:

	For the Years Ended December 31			
	2022		2021	
	Allotment (NTD)	Amount	Allotment (NTD)	Amount
Common stock dividends per share				
Cash	\$ 1.20	<u>451,347</u>	2.11	<u>793,618</u>

The amount of cash dividends of appropriations of the Company's 2023 earnings was based on the resolution decided during the meetings of the Board of Directors held on March 14, 2024.

	For the Year Ended December 31	
	2023	
	Allotment (NTD)	Amount
Common stock dividends per share		
Cash	\$ 1.51	<u>571,968</u>

(Continued)

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

(iv) 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, 2023	\$ 10,196	51,013	61,209
Exchange differences on foreign operations	(170,285)	-	(170,285)
Unrealized losses on financial assets measured at FVOCI	-	(3,112)	(3,112)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	1,803	1,803
Balance on December 31, 2023	<u>\$ (160,089)</u>	<u>49,704</u>	<u>(110,385)</u>
Balance on January 1, 2022	\$ (25,292)	78,077	52,785
Exchange differences on foreign operations	35,488	-	35,488
Unrealized losses on financial assets measured at FVOCI	-	(20,744)	(20,744)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(6,320)	(6,320)
Balance on December 31, 2022	<u>\$ 10,196</u>	<u>51,013</u>	<u>61,209</u>

(u) Earnings per share

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

	For the Years Ended December 31	
	2023	2022
Basic earnings per share		
Profit attributable to owners of the parent	\$ <u>965,227</u>	<u>805,125</u>
Weighted average number of ordinary shares	<u>376,666</u>	<u>376,122</u>
Basic earnings per share	<u>\$ 2.56</u>	<u>2.14</u>
Diluted earnings per share		
Profit from continuing operation attributable to the Company	\$ 965,227	805,125
Convertible bonds	(32,644)	(21,022)
Profit attributable to owners of the parent (after the adjustment of diluted ordinary shares)	<u>\$ 932,583</u>	<u>784,103</u>
Weighted average number of ordinary shares	376,666	376,122
Effect of potential diluted ordinary shares		
Employee stock option	788	1,019
Convertible bonds	45,723	46,490
Weighted average number of ordinary shares (after the adjustment of diluted ordinary shares)	<u>423,177</u>	<u>423,631</u>
Diluted earnings per share	<u>\$ 2.20</u>	<u>1.85</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		
	2023		
	Metal Manufacturing Segment	Lifestyle Hospitality Segment	Total
Major geographic markets:			
Taiwan	\$ 319,264	443,486	762,750
United States	56,790	-	56,790
Canada	224,828	-	224,828
Japan	43,312	-	43,312
China	2,785	-	2,785
Europe	123,350	-	123,350
South America	1,194	-	1,194
Others	28,360	-	28,360
	\$ 799,883	443,486	1,243,369
Major product/service lines:			
Iron casting hardware	\$ 797,771	-	797,771
Counter commissions	-	371,007	371,007
Others	2,112	72,479	74,591
	\$ 799,883	443,486	1,243,369
	For the Year Ended December 31		
	2022		
	Metal Manufacturing Segment	Lifestyle Hospitality Segment	Total
Major geographic markets:			
Taiwan	\$ 527,094	399,732	926,826
United States	77,699	-	77,699
Canada	271,952	-	271,952
Japan	32,766	-	32,766
China	9,446	-	9,446
Europe	99,384	-	99,384
South America	1,677	-	1,677
Others	31,041	-	31,041
	\$ 1,051,059	399,732	1,450,791

(Continued)

CHINA METAL PRODUCTS CO., LTD.
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	For the Year Ended December 31		
	2022		
	Metal Manufacturing Segment	Lifestyle Hospitality Segment	Total
Major product/service lines:			
Iron casting hardware	\$ 1,044,125	-	1,044,125
Construction	-	330,943	330,943
Other	6,934	68,789	75,723
	\$ 1,051,059	399,732	1,450,791

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	\$ 200,841	248,972	353,760
Less: Loss allowance	(69)	(511)	(849)
Total	\$ 200,772	248,461	352,911
Contract assets	\$ -	-	-
Contract liabilities –Advanced receipts	\$ 3,653	6,021	10,470

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, 2023 and 2022 that were included in the contract liabilities balance at the beginning of the period were \$3,058 thousand and \$5,268 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.
Notes to the Financial Statements

For the years ended December 31, 2023 and 2022, appropriated employees' compensation by \$28,094 thousand and \$19,953 thousand, respectively, and appropriated remuneration of directors by \$25,084 thousand and \$17,815 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, 2023 and 2022. 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 difference between employees' compensation and remuneration of directors approved by the Board of Directors meeting and the estimated amount for the year of 2022.

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	
	2023	2022
Interest income from bank deposits	\$ 3,729	1,704
Interest income from financial guarantee contracts	11,620	14,085
Interest income from loans to related parties	-	2
Others	1,640	777
Total interest income	\$ 16,989	16,568

(ii) Other income

The information on other income is listed as follows:

	For the Years Ended December 31	
	2023	2022
Dividend income	\$ 14,609	16,423
Rental revenue	14,975	14,291
Others	103,156	58,411
Total other income	\$ 132,740	89,125

(Continued)

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

(iii) Other gains and losses

	For the Years Ended December 31	
	2023	2022
Gains (losses) on Financial assets at FVTPL	\$ 8,409	(3,961)
(Losses) gains on disposals of property, plant and equipment	(2,292)	85
Foreign exchange gains	4,440	41,534
Lease modification gains	21	59
Net amount of other gains and losses	\$ 10,578	37,717

(iv) Finance costs

	For the Years Ended December 31	
	2023	2022
Borrowing interest expense	\$ 177,771	116,189
Bonds interest expense	(30,294)	(31,229)
Capitalized interest expense	(32,828)	(17,797)
Lease liability interest expense	19,741	21,901
Bank borrowing costs	1,236	2,395
	\$ 135,626	91,459

(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.

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

(ii) Liquidity risk

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

	<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, 2023					
Non-derivative financial liabilities					
Bank borrowings	\$ 9,523,693	3,602,872	3,055,119	2,865,702	-
Bonds payable	1,417,400	-	1,417,400	-	-
Lease liabilities	1,657,498	204,993	203,487	554,780	694,238
Notes and account payables (including related parties)	320,150	320,150	-	-	-
Other payables (including related parties)	500,845	500,845	-	-	-
	<u>\$ 13,419,586</u>	<u>4,628,860</u>	<u>4,676,006</u>	<u>3,420,482</u>	<u>694,238</u>
December 31, 2022					
Non-derivative financial liabilities					
Bank borrowings	\$ 10,204,661	2,707,948	4,814,641	2,682,072	-
Bonds payable	1,500,000	-	-	1,500,000	-
Lease liabilities	1,853,865	198,040	204,156	603,206	848,463
Notes and accounts payables (including related parties)	335,642	335,642	-	-	-
Other payables (including related parties)	296,384	296,384	-	-	-
	<u>\$ 14,190,552</u>	<u>3,538,014</u>	<u>5,018,797</u>	<u>4,785,278</u>	<u>848,463</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, 2023</u>			<u>December 31, 2022</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	\$ 3,015	30.71	92,579	8,226	30.71	252,605
EUR	476	33.98	16,187	1,027	32.72	33,590
JPY	43,805	0.2172	9,514	53,723	0.2324	12,485
HKD	9,003	3.93	35,382	-	3.94	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	36	30.71	1,117	16	30.71	505
EUR	10	33.98	327	1	32.72	19
CNY	71	4.33	310	45	4.41	200

(Continued)

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

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, 2023 and 2022 would have increased (decreased) the after-tax net income for the years ended December 31, 2023 and 2022 by \$1,215 thousand and \$2,384 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2023 and 2022, the foreign exchange (losses) gains, including both realized and unrealized, were amounted to \$4,440 thousand and \$41,534 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 \$87,677 thousand and \$94,341 thousand for the years ended December 31, 2023 and 2022, 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			
	2023		2022	
	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%	\$ 14,275	16	14,936	(825)
Decrease 10%	\$ (14,275)	(16)	(14,936)	825

(Continued)

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

(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:

	December 31, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets at FVOCI	<u>\$ 142,751</u>	<u>-</u>	<u>-</u>	<u>142,751</u>	<u>142,751</u>
Non-current financial assets at FVTPL	<u>\$ 156</u>	<u>-</u>	<u>-</u>	<u>156</u>	<u>156</u>
Financial assets measured at amortized cost	<u>\$ 1,364,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost	<u>\$ 12,969,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-current financial assets at FVOCI	<u>\$ 149,363</u>	<u>-</u>	<u>-</u>	<u>149,363</u>	<u>149,363</u>
Non-current financial liabilities at FVFPL	<u>\$ 8,253</u>	<u>-</u>	<u>-</u>	<u>8,253</u>	<u>8,253</u>
Financial assets measured at amortized cost	<u>\$ 3,418,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost	<u>\$ 13,912,580</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.

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CHINA METAL PRODUCTS CO., LTD.
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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:

- 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, 2023 and 2022.

4) Reconciliation of Level 3 instruments

	Noncurrent Financial Assets at FVOCI <hr/> Equity Instrument without Quoted Price <hr/>
Balance on January 1, 2023	\$ 149,363
Total gains or losses	
Recognized as other comprehensive income	(3,112)
Receipts from capital reduction	<u>(3,500)</u>
Balance on December 31, 2023	<u>\$ 142,751</u>
Balance on January 1, 2022	\$ 178,394
Total gains or losses	
Recognized as other comprehensive income	(21,031)
Receipts from capital reduction	<u>(8,000)</u>
Balance on December 31, 2022	<u>\$ 149,363</u>

(Continued)

CHINA METAL PRODUCTS CO., LTD.
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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, 2023 and 2022 and is as follows:

	For the Years Ended December 31	
	2023	2022
Total gains or losses		
Recognized as other comprehensive income (which is listed under "unrealized losses on financial assets of FVOCI")	\$ (3,112)	(20,744)

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.

Quantified information on significant unobservable inputs is as follows:

Item	Valuation Technique	Significant Unobservable Inputs	Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement
Financial assets at FVOCI - equity investments without active market	Dividend discount model	<ul style="list-style-type: none"> • Average expected future dividend income of 5 years (As of December 31, 2023 and 2022, were \$251~18,916 thousand and \$251~23,510 thousand, respectively.) • Weighted average capital cost (As of December 31, 2023 and 2022, were 2.73% and 4.68%, respectively.) • Discounting rate without market liquidity (As of December 31, 2023 and 2022, 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.

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

- 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>Inputs</u>	<u>Fluctuation in Inputs</u>	<u>Other Comprehensive Income</u>	
			<u>Favourable</u>	<u>Unfavourable</u>
December 31, 2023				
Financial assets at FVOCI				
Equity investments without an active market	2.73 %	1%	5,335	(5,062)
December 31, 2022				
Financial assets at FVOCI				
Equity investments without an active market	4.68 %	1%	5,427	(5,158)

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.

(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.

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CHINA METAL PRODUCTS CO., LTD.
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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, 2023 and 2022, there were no geographical concentration of credit risk.

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

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

2) Investment

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

3) Guarantees

As of December 31, 2023 and 2022, please refer to Note 7 and 13 (a)(ii) for the details of financial guarantees of subsidiaries and joint venture provided by the Company.

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

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CHINA METAL PRODUCTS CO., LTD.
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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.

(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, 2023, the Company's capital management strategy is consistent with the prior year as of December 31, 2022. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2023 and 2022, is as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 13,398,089	14,322,598
Less: Cash and cash equivalents	<u>(434,510)</u>	<u>(2,031,113)</u>
Net debt	12,963,579	12,291,485
Total equity	<u>13,282,499</u>	<u>12,856,941</u>
Total capital	<u>\$ 26,246,078</u>	<u>25,148,426</u>
Debt-to-capital ratio	<u>49.39 %</u>	<u>48.88 %</u>

(Continued)

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

(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
CMAI CO., LIMITED (CMAI)	Subsidiaries
CMJ Co., Ltd. (CMJ)	Subsidiaries
National Management Co., Ltd. (National Management)	Subsidiaries
PUJEN Land Development Co., Ltd. (PUJEN Land Development)	Subsidiaries
Shangrila Tourism Co., Ltd. (Shangrila Tourism)	Subsidiaries
Taichung CMP Hospitality Management Consulting Co., Ltd. (Taichang CMP Hospitality)	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
PUZHI Construction Co, Ltd. (PUZHI Construction)	Subsidiaries

(Continued)

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

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
CMAI Holding, Inc. (CMAI Holding)	Subsidiaries
Pilot Drive, LLC. (Pilot)	Subsidiaries
CMAI INDUSTRIES, INC. (CMAI N.A.)	Subsidiaries
Great Naturalistic Block Co., Ltd. (Great Naturalistic Block)	Subsidiaries
The Splendor Hospitality International Co., Ltd. (The Splendor Hospitality)	Joint ventures
CMAAN Health Co. Ltd. (CMAAN Health)	Joint ventures
Amida Trustlink Assets Management Co., Ltd. (Amida Trustlink Assets)	Associates
Advancision Corporation (Advancision)	Subsidiaries of subsidiaries' associates
Mr. Ting Fung, Lin	Key management
Chain-Yuan Investment Co., Ltd. (Chain-Yuan Investment)	Other related parties
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
Gee Lien Resource Development Corp. (Gee Lien Resource)	Other related parties
San Lien Educational Foundation (San Lien Foundation)	Other related parties

(c) Significant transactions with related parties

(i) Sales to related parties

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

	For the Years Ended December 31	
	2023	2022
Subsidiaries	\$ 66,595	92,328
Joint ventures	247	270
Other related parties	273	102
	\$ 67,115	92,700

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

(ii) Purchases from related parties

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

	For the Years Ended December 31	
	2023	2022
Subsidiaries	\$ -	4

(Continued)

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

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:

<u>Accounts</u>	<u>Categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivables	Subsidiaries	\$ 14,809	33,836
Accounts receivables	Other related parties	162	58
Total		<u>\$ 14,971</u>	<u>33,894</u>
Other receivables	Subsidiaries	\$ 2,467	12,075
Other receivables	Associates	23	23
Other receivables	Joint ventures	182	1,048
Total		<u>\$ 2,672</u>	<u>13,146</u>

(iv) Payables due to related parties

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

<u>Accounts</u>	<u>Categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable	Subsidiaries	\$ -	86
Other payables	Subsidiaries	13,464	14,009
Other payables	Joint ventures	267	489
Other payables	Other related parties	350	192
Other payables	Key management	217	4
Total		<u>\$ 14,298</u>	<u>14,694</u>

(v) Prepayments

The information on prepayments is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ -</u>	<u>100</u>

(vi) Loans to Related Parties

The loans to related parties is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ -</u>	<u>-</u>

(Continued)

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

Interest income

	December 31, 2023	December 31, 2022
Subsidiaries	\$ <u>-</u>	<u>2</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 \$2,644,000 thousand and \$2,785,000 thousand and the actual borrowing amount was \$1,957,000 thousand and \$1,937,448 thousand, respectively, as of December 31, 2023 and 2022.

(viii) Non-performing receivables

	Total Claims	
	December 31, 2023	December 31, 2022
Joint ventures	\$ <u>796,845</u>	<u>796,845</u>

	Costs of Claims	
	December 31, 2023	December 31, 2022
Joint ventures	\$ <u>575,000</u>	<u>575,000</u>

(ix) Property transaction

The information on acquisitions of assets is as follows:

	For the Years Ended December 31	
	2023	2022
Other related parties	\$ <u>160</u>	<u>-</u>

(x) Other transactions

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

	For the Years Ended December 31	
	2023	2022
Subsidiaries	\$ 4,748	4,708
Other related parties	2,372	2,751
	\$ <u>7,120</u>	<u>7,459</u>

(Continued)

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

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

	For the Years Ended December 31	
	2023	2022
Subsidiaries	\$ 7	-
Associates of subsidiaries	262	262
	\$ 269	262

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

	For the Years Ended December 31	
	2023	2022
Subsidiaries	\$ 8,861	19,770
Joint ventures	5,545	4,020
	\$ 14,406	23,790

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

	For the Years Ended December 31	
	2023	2022
Joint ventures:		
The Splendor Hospitality	\$ 11,483	13,925
Others	137	160
	\$ 11,620	14,085

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

	For the Years Ended December 31	
	2023	2022
Subsidiaries	\$ 92,919	79,129

- 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	
	2023	2022
Subsidiaries	\$ 108	211
Joint ventures	171	460
	\$ 279	671

(Continued)

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

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

	For the Years Ended December 31	
	2023	2022
Subsidiaries	\$ 3,678	5,610
Other related parties	-	7
	\$ 3,678	5,617

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

	For the Years Ended December 31	
	2023	2022
Other related parties: Foundation	\$ 5,925	5,400

- 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,
	2023	2022
Subsidiaries	\$ 189,072	185,102
Other related party	4,606	3,273
	\$ 193,678	188,375

	For the Years Ended December 31	
	2023	2022
Subsidiaries	\$ 3,970	5,509
Other related parties	1,333	-
	\$ 5,303	5,509

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

	December 31,	December 31,
	2023	2022
Other related parties	\$ 360	344

- 11) The Company entered into a joint-construction agreement with its subsidiary, PUJEN Construction, and The Hotel National, wherein a residential building will be erected on the 19 parcels of land located in Houlongzi Section, West District, Taichung City. Upon completion of the construction, the three parties will jointly sell the said building, in which the total amount sold will be allocated on a ratio of 40.5:59.5 between the landowner and the builder, respectively, based on a resolution approved during the Company's board meeting held on November 7, 2023.

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

(d) Key management transactions

The compensation of key management is as follows:

	For the Years Ended December 31	
	2023	2022
Short-term employee benefits	\$ 79,242	62,384
Post-employment benefits	801	2,737
	\$ 80,043	65,121

(8) Pledged assets

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

Pledged Assets	Object	December 31, 2023	December 31, 2022
Land (including other non-current assets)	The credit limits of long-term and short-term bank borrowings	\$ 13,319	13,319
Buildings	"	2,844	2,970
Investments accounted for using equity method	The credit limits of long-term bank borrowings	3,633,810	3,242,349
Investments properties—Land	"	2,616,852	2,544,164
Other current financial assets	Long-term bank borrowings	59	382,144
		\$ 6,266,884	6,184,946

(9) Significant commitments and contingencies

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

(i) The unrecognized contractual commitments from contracts for selling and purchasing of equipment and engineering construction entered into by the Company is as follows:

	December 31, 2023	December 31, 2022
Total contract price	\$ 2,747,663	2,780,610
Total amounts paid under contracts	\$ 2,551,653	2,259,953

(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, 2023 and 2022, 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 \$106,110 thousand and \$101,460 thousand, as of December 31, 2023 and 2022, 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, 2023 and 2022.
- (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:None

(12) Other:

- (a) The Securities and Futures Investors Protection Center (SFIPC) filed a criminal incidental civil action on behalf of the Company against the former chairman of the Company, Mr. Ming Shiann, Ho. 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. On September 7, 2022, the Supreme Court remanded the original decision, which is in trial in the Taiwan High Court. On January 17, 2024, Taiwan High Court dismissed the appeal filed by SFIPC for third time. On February 17, 2024, the SFIPC filed an appeal to the Supreme Court against the aforementioned conviction.

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

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

By function By item	For the Years Ended December 31					
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	118,868	159,590	278,458	108,075	138,879	246,954
Labor and health insurance	11,900	12,859	24,759	11,021	11,853	22,874
Pension	3,142	5,659	8,801	2,930	5,048	7,978
Remuneration of directors	-	42,861	42,861	-	37,572	37,572
Others	6,107	6,323	12,430	6,814	6,504	13,318
Depreciation	79,299	207,806	287,105	74,446	206,666	281,112
Amortization	1,419	3,478	4,897	1,319	3,817	5,136

For the years ended December 31, 2023 and 2022, the average numbers of Company employees were as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>327</u>	<u>323</u>
Number of directors (non-employee)	<u>8</u>	<u>6</u>
Average employee benefit expense	<u>\$ 1,017</u>	<u>918</u>
Average employee salary expense	<u>\$ 873</u>	<u>779</u>
Percentage of average employee salary expense	<u>12.07 %</u>	<u>(3.95)%</u>
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

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.

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

(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.

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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 for the years ended December 31, 2023, 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	Taichung CMP Hospitality	Accounts receivable due from related parties	Yes	1,260,000	1,260,000	-	2.5%	2	-	Operation requirements	-		-	3,984,749	5,312,999
0	The Company	UEA	Accounts receivable due from related parties	Yes	32,430	-	-	4.00%	2	-	Operation requirements	-		-	3,984,749	5,312,999
1	Tianjin CMT	Suzhou CMB	Accounts receivable due from related parties	Yes	111,250	-	-	0.75%	2	-	Operation requirements	-		-	321,617	428,823
1	Tianjin CMT	CMH	Accounts receivable due from related parties	Yes	311,500	303,100	303,100	0.75%	2	-	Operation requirements	-		-	321,617	428,823
2	Suzhou CMS	CMH	Accounts receivable due from related parties	Yes	934,500	671,150	671,150	0.75%	2	-	Operation requirements	-		-	1,368,940	1,825,254
3	CMAI	Pilot	Accounts receivable due from related parties	Yes	39,975	33,781	33,781	5.12%	2	-	Operation requirements	-	Land, buildings and improvement	68,732	53,081	70,775
4	CMW(C.I.)	CMI	Accounts receivable due from related parties	Yes	445,000	433,000	-	-	2	-	Operation requirements	-		-	1,722,815	2,297,087
5	CMW (Tianjin)	CMH	Accounts receivable due from related parties	Yes	221,000	216,500	216,500	0.75%	2	-	Operation requirements	-		-	1,727,095	2,302,794

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 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	5,312,999	160,000	160,000	91,000	-	1.20 %	6,641,249	Y	N	N
0	The Company	The Hotel National	1	5,312,999	50,000	50,000	-	-	0.38 %	6,641,249	Y	N	N
0	The Company	Shangrila Tourism	1	5,312,999	1,226,500	624,000	406,000	-	4.70 %	6,641,249	Y	N	N

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

No.	Name of Guarantor/Endorse	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	The Splendor Hospitality	2	5,312,999	3,400,000	1,800,000	1,450,000	-	13.55 %	6,641,249	N	N	N
0	The Company	CMAAN Health	2	5,312,999	32,500	10,000	10,000	-	0.08 %	6,641,249	N	N	N
1	CMI	UEA	3	3,566,919	864,940	-	-	-	- %	4,458,649	N	N	N

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

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

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

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

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

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% 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% and CMI 50%.

(iii) Securities held as of December 31, 2023 (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	Non-current financial assets at FVOCI	1,351,164	99,955	3.12 %	99,955	
The Company	GUANGYUAN Investment Co., Ltd.	-	Non-current financial assets at FVOCI	3,750,000	31,134	3.91 %	31,134	
The Company	DEVELOPMENT Venture Capital Co., Ltd.	The Company is the legal person	Non-current financial assets at FVOCI	3,260,000	11,662	4.00 %	11,662	
The Company	Pacific Electric Wire & Cable Co., Ltd.	-	Current financial assets at FVTPL	81,666	-	0.01 %	-	
Sunflower Investment	Fantasystory Inc.	-	Non-current financial assets at FVOCI	653,530	-	19.80 %	-	
Sunflower Investment	il. COM, INC	-	Non-current financial assets at FVOCI	100,000	-	0.52 %	-	
Sunflower Investment	Asia World Engineering & Construction CO., Ltd.	-	Non-current financial assets at FVOCI	4,644,000	30,000	6.63 %	41,340	
Sunflower Investment	Masada Technology Limited Co., Ltd.	-	Non-current financial assets at FVOCI	2,000,000	20,000	5.95 %	20,000	
The Hotel National	Century National Technology Co., Ltd.	-	Non-current financial assets at FVOCI	35,600	-	2.34 %	-	
Atrans Precision	Acore Material Technology Co., Ltd.	-	Non-current financial assets at FVOCI	42,466	-	2.12 %	-	

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

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the share capital:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Shares	Investments accounted for using equity method	Taichung CMP Hospitality	Subsidiaries	33,880	338,800	60,000	600,000	-	-	-	-	93,880	938,800

- (v) Information on the acquisition of real estate exceeding NT\$300 million or 20% of the share capital: None.
- (vi) Information on the disposal of real estate exceeding of NT\$300 million or 20% of the share capital: None.
- (vii) Information regarding related-party transactions for purchases and sales exceeding NT\$100 million or 20% of the share capital:

(In Thousands of NTD)

Name of Company	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	Percentage of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
Suzhou CMS	CMI	Subsidiaries	Sale	831,575	36.81 %	180 days	-	-	1,775,953	78.05%	
Suzhou CMB	CMI	Subsidiaries	Sale	251,685	15.18 %	180 days	-	-	195,926	26.54%	
CMW (Tianjin)	CMW (C.I.)	Subsidiaries	Sale	1,039,752	24.64 %	180 days	-	-	1,627,089	49.16%	
CMH	CMW(Tianjin)	Affiliates	Sale	115,199	56.25 %	90 days	-	-	16,648	26.39%	

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

(In Thousands of NTD/In 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		
CMW (Tianjin)	CMW (C.I.)	Subsidiaries	Accounts receivable due from related parties 1,627,089	0.63	-	-	CNY 15,467,902	-
Tianjin CMT	CMI	Subsidiaries	Accounts receivable due from related parties 288,525	-	-	-	-	-
CMB	CMI	Subsidiaries	Accounts receivable due from related parties 195,926	0.99	-	-	CNY 9,272,453	-
Suzhou CMS	CMI	Subsidiaries	Accounts receivable due from related parties 1,775,953	0.46	-	-	CNY 12,396,948	-
CMW (Tianjin)	CMH	Affiliates	Accounts receivable due from related parties, other 216,500	Note2	-	-	-	-
Tianjin CMT	CMH	Affiliates	Accounts receivable due from related parties, other 303,100	Note2	-	-	-	-
Suzhou CMS	CMH	Affiliates	Accounts receivable due from related parties, other 671,150	Note2	-	-	-	-

Note1: Intra-group transactions have been eliminated in the consolidated financial statements.

Note2: Balance of loans to other parties.

- (ix) Trading in derivative instruments: None.
- (b) Information on investees:

The following is the information on investees for the year ended December 31, 2023 (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, 2023			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	UEA	British Virgin Islands	Investing in CMI	865,286	865,286	667,820	100.00 %	7,582,213	274,035	274,035	Subsidiaries
The Company	Sunflower Investment	Taiwan	Investing	99,096	99,096	67,013,057	99.01 %	990,085	147,747	146,284	Subsidiaries
The Company	Atrans Precision	Taiwan	Vehicle parts processing	247,218	247,218	25,782,134	72.24 %	441,494	65,500	48,672	Subsidiaries
The Company	CMJ	Japan	Cast iron product retailing	4,887	4,887	500	83.33 %	117,963	24,611	20,509	Subsidiaries
The Company	CMAI	Hong Kong	Vehicle parts retailing	24,036	24,036	1,000,000	100.00 %	176,938	32,886	32,886	Subsidiaries

(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, 2023			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
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 %	4,579,730	930,930	532,802	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)	(849)	-	Investees accounted for using equity method
The Company	The Hotel National	Taiwan	International tourist hotel services	1,515,952	1,515,952	5,000,000	100.00 %	1,138,704	186,185	184,256	Subsidiaries
The Company	National Management	Taiwan	Management and consulting services	10,000	10,000	1,000,000	100.00 %	25,564	9,827	9,827	Subsidiaries
The Company	The Splendor Hospitality	Taiwan	International tourist hotel services	1,125,000	1,125,000	32,500,000	50.00 %	302,227	(15,349)	(19,157)	Joint ventures accounted for using equity method
The Company	Shangrila Tourism	Taiwan	Amusement park and hotel services	564,303	564,303	22,664,800	100.00 %	369,860	(53,391)	(51,905)	Subsidiaries
The Company	CMAAN Health	Taiwan	Management and consulting services	50,000	50,000	5,000,000	50.00 %	46,389	6,671	3,199	Joint ventures accounted for using equity method
The Company	Taichung CMP Hospitality	Taiwan	International tourist hotel services	938,800	338,800	93,880,000	100.00 %	904,230	(34,466)	(34,466)	Subsidiaries
The Company	Calligraphy Greenway Plaza Co., Ltd	Taiwan	Management and consulting services	59,000	59,000	5,900,000	100.00 %	67,579	7,860	7,860	Subsidiaries
The Company	Great Naturalistic Block	Taiwan	Management and consulting services	20,000	-	2,000,000	100.00 %	16,343	(3,657)	(3,657)	Subsidiaries
Sunflower Investment	PUJEN Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	288,437	288,437	42,568,300	15.18 %	1,192,392	930,930	Exempt from disclosure	Subsidiaries of the Company
Sunflower Investment	Atrans Precision	Taiwan	Vehicle parts processing	77,836	77,836	4,737,380	13.27 %	80,468	65,500	Exempt from disclosure	Subsidiaries of the Company
Sunflower Investment	Amida Trustlink Assets	Taiwan	Real estate developing, leasing and financial claims acquiring from financial institutions	-	-	5,951,619	12.50 %	(7,726)	(849)	Exempt from disclosure	Investees accounted for using equity method
Sunflower Investment	ADVANCISION (CAYMAN)	Cayman Islands	Investing and cast iron product retailing	23,457	29,154	1,871,288	4.46 %	11,346	(2,253)	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 246,185,159	USD 12,261,196	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 1,301,536,498	CNY 39,188,387	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 1,379,512,566	CNY 57,790,262	Exempt from disclosure	Subsidiaries of CMI
CMI	CMB (H.K.)	Hong Kong	Investing in Suzhou CMB	USD 92,970,000	USD 85,820,000	151,120,350	100.00 %	CNY 590,702,188	CNY (6,669,609)	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 1,303,444,275	CNY 39,188,387	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 2,783,107	USD 204,356	Exempt from disclosure	Subsidiaries of CMAI
CMAI Holding	Pilot	USA	Assets leasing	USD 8,328,644	USD 8,328,644	-	100.00 %	USD 2,783,107	USD 204,356	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 1,631,225	USD 129,376	Exempt from disclosure	Subsidiaries of Pilot
Atrans Precision	FAR HSING (SAMOA)	SAMOA	Investing	USD 1,272,055	USD 2,422,055	1,272,055	100.00 %	28,976	158	Exempt from disclosure	Subsidiaries of Atrans Precision
FAR HSING (SAMOA)	ADVANCISION (CAYMAN)	Cayman Islands	Investing and cast iron product retailing	USD 4,052,188	USD 4,959,029	9,068,414	21.59 %	USD 932,761	USD (72,410)	Exempt from disclosure	Investees of FAR HSING (SAMOA) accounted for using equity method
PUJEN Land Development	Keng-Hsin Urban Renewal	Taiwan	Residents, commercial buildings and factories leasing and developing	234,496	234,496	31,220,979	30.00 %	317,612	(82,058)	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	1,500	150,000	50.00 %	5,345	(130)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	PUJEN CHENGMEI Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	199,500	129,500	19,950,000	70.00 %	173,842	(10)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	PUCHIA Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	-	50	-	- %	-	3	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	PUZHI Construction	Taiwan	Residents, commercial buildings and factories leasing and developing	34,800	34,800	22,500	100.00 %	30,801	(3,587)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	Hua-Pu Development	Taiwan	Residents, commercial buildings and factories leasing and developing	5,000	5,000	500,000	50.00 %	5,397	664	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 %	3,594	3,447	Exempt from disclosure	Investees of PUJEN Land Development accounted for using equity method

(Continued)

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

(c) Information on investment in mainland China:

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

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

Name of Investee	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses) (Notes 2,3)	Book Value (Note 3)	Accumulated Remittance of Earnings in Current Period (Note 5)
					Outflow	Inflow						
Tianjin CMT	Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling	921,300 (USD30,000)	2	388,238	-	-	388,238	(4,798) (CNY(1,090))	83.27%	(3,995) (CNY(908))	1,072,059 (CNY247,589)	82,542
Suzhou CMS	Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling	737,040 (USD24,000)	2	423,406	-	-	423,406	172,092 (CNY39,112)	83.27%	143,191 (CNY32,543)	4,563,608 (CNY1,053,951)	14,601
Suzhou CMB	Cast iron product designing, manufacturing and retailing	2,518,220 (USD82,000)	2	-	-	-	-	(18,306) (CNY(4,160))	83.27%	(15,244) (CNY(3,464))	2,563,323 (CNY591,991)	-
CMW (Tianjin)	Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling	982,720 (USD32,000)	2	-	-	-	-	364,449 (CNY82,829)	83.27%	309,196 (CNY70,272)	5,733,312 (CNY1,324,091)	-
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	982,720 (USD32,000)	2	-	-	-	-	(145,520) (CNY(33,073))	83.27%	(121,175) (CNY(27,540))	668,396 (CNY154,364)	-
Qingdao Sourcing Specialists	Cast iron product retailing	3,071 (USD100)	2	-	-	-	-	4,034 (JPY18,163)	83.33%	3,362 (JPY15,135)	51,924 (JPY239,059)	-

(ii) Limitation on investment in Mainland China:

(In Thousands of NTD and USD)

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA (Note 6)	Upper Limit on Investment (Note 4)
811,644	6,406,750 (USD 208,621)	-

Note 1: Method of investment is classified into three types:

1. Directly invested in Mainland China.
2. Indirectly invested in Mainland China through the third region.
3. Other methods.

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

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

Note 4: The Company complies with the amended Permit 9704604680 'Investment or technical cooperation review principal in China', which obtained the certified documents of the operational scope of the headquarters from the Industrial Development Bureau, Ministry of Economic Affairs, with the valid period from March 3, 2023 to March 1, 2026. The restriction on the cumulative investment amount or proportion in China is not applicable.

Note 5: As of December 31, 2023, the company had obtained a surplus of \$3,256,084 thousand (USD108,140 thousand) from the investment companies set up in the third region. The surplus was remitted to the companies by the subsidiaries which was invested indirectly in China and then was remitted to Taiwan. It was impossible to distinguish the remittance from the company in China.

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

(iii) Significant transactions: None.

(Continued)

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Chain-Yuan Investment Co., Ltd.		56,739,965	14.97 %
Mr. Ming Shiann, Ho		26,312,540	6.94 %

(14) Segment information:

The segment information please refer to the consolidated financial statement for the year ended December 31, 2023.

CHINA METAL PRODUCTS CO., LTD.**Statement of Cash and Cash Equivalents****December 31, 2023****(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 1,380
Cash in transit		7,024
Cash in banks	Checking accounts deposits	1,216
	Demand deposits	337,878
	Foreign currency deposits USD94 thousand	2,899
	EUR13 thousand	444
	JPY9,966 thousand	2,165
	THB9,003 thousand	35,382
	CNY13 thousand	57
	Foreign currency time deposits USD1,500 thousand	<u>46,065</u>
		<u>\$ 434,510</u>

Statement of Inventories

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Net Realizable Value</u>	
Raw materials	\$ 6,955	5,230	NRV
Materials	11,771	11,137	"
Work in process	17,141	17,141	"
Semi-finished goods	15,035	11,715	"
Finished goods (including inventories in transit)	42,045	37,225	"
Merchandise	4,923	4,923	"
Less: Allowance for inventory write-down	<u>(10,499)</u>	<u>-</u>	
Total	<u>\$ 87,371</u>	<u>87,371</u>	

CHINA METAL PRODUCTS CO., LTD.

Statement of Changes in Investments Accounted for Using the Equity Method

December 31, 2023

(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	Share of Other Comprehensive Income of Subsidiaries, Associates and Joint Ventures	Other (Note 3)	Ending Balance			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount (Note 1)	Shares	Amount (Note 2)					Shares	Percentage of Ownership	Amount	Unit price	Total amount	
Long-term investments																
Accounted for using equity method:																
United Elite Agents Limited	667,820	\$ 7,570,963	-	-	-	97,942	274,035	(164,843)	-	-	667,820	100.00	7,582,213	11,322.36	7,561,297	None
Sunflower Investment Co., Ltd.	67,013,057	877,566	-	-	-	33,507	146,284	(352)	94	-	67,013,057	99.01	990,085	14.77	990,085	"
Atrans Precision Industries Co., Ltd.	25,782,134	457,275	-	-	-	64,455	48,672	(156)	158	-	25,782,134	72.24	441,494	16.99	438,109	"
CMJ Co., Ltd.	500	120,101	-	-	-	16,867	20,509	(5,780)	-	-	500	83.33	117,963	235,926.61	117,963	"
Amida Trustlink Assets Management Co., Ltd.	16,763,726	(21,760)	-	-	-	-	-	-	-	-	16,763,726	35.21	(21,760)	0.57	9,627	"
CMAI CO., LIMITED.	1,000,000	169,085	-	-	-	25,879	32,886	846	-	-	1,000,000	100.00	176,938	176.94	176,938	"
PUJEN Land Development Co.,Ltd.	158,877,643	4,142,009	-	-	-	95,327	532,802	-	246	-	158,877,643	56.65	4,579,730	28.38	4,508,960	Note 4
The Hotel National Co., Ltd.	5,000,000	897,964	-	-	-	-	184,256	-	-	56,484	5,000,000	100.00	1,138,704	34.10	170,481	Note 5
The Splendor Hospitality International Co., Ltd.	32,500,000	268,778	-	52,606	-	-	(19,157)	-	-	-	32,500,000	50.00	302,227	7.76	252,083	None
National Management Co., Ltd.	1,000,000	22,398	-	-	-	6,661	9,827	-	-	-	1,000,000	100.00	25,564	25.56	25,564	"
Shangrila Tourism Co., Ltd.	22,664,800	421,765	-	-	-	-	(51,905)	-	-	-	22,664,800	100.00	369,860	6.26	141,778	"
CMAAN Health Co., Ltd.	5,000,000	43,085	-	105	-	-	3,199	-	-	-	5,000,000	50.00	46,389	9.28	46,389	"
Taichung CMP Hospitality Management Consulting Co.,Ltd.	33,880,000	338,696	60,000,000	600,000	-	-	(34,466)	-	-	-	93,880,000	100.00	904,230	9.63	904,231	"
Calligraphy Greenway Plaza	5,900,000	66,182	-	-	-	6,463	7,860	-	-	-	5,900,000	100.00	67,579	11.45	67,579	"
Great Naturalistic Block	-	-	2,000,000	20,000	-	-	(3,657)	-	-	-	2,000,000	100.00	16,343	8.17	16,343	"
Total		<u>\$ 15,374,107</u>		<u>672,711</u>		<u>347,101</u>	<u>1,151,145</u>	<u>(170,285)</u>	<u>498</u>	<u>56,484</u>			<u>16,737,559</u>			

Note 1: The increasing amounts of this period are the additional guarantee provision amounted to \$52,711 thousand, capital increase by cash amounted to \$620,000 thousand.

Note 2: The decreasing amounts of this period are the cash dividend amounted to \$347,101 thousand.

Note 3: Defferred credits recognized as other income.

Note 4: 76,180,771 shares of the Company were pledged as collateral for obtaining credit limits.

Note 5: 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, 2023
(In Thousands of New Taiwan Dollars)

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

Statement of Short-term Borrowings
December 31, 2023

<u>Loan Type</u>	<u>Lender</u>	<u>Amount</u>	<u>Financing Period</u>	<u>Interest Rates</u>	<u>Mortgage Guarantee</u>	<u>Note</u>
Unsecured	Shin Kong Bank	\$ 200,000	2023.12.25~2024.01.25	1.95%	-	
Unsecured	First Bank	100,000	2023.10.11~2024.04.11	1.95%	-	
Unsecured	Chang Hwa Bank	200,000	2023.12.29~2024.02.27	1.75%	-	
Unsecured	Taiwan Cooperative Bank	100,000	2023.11.14~2024.02.14	1.91%	-	
Unsecured	Hua Nan Bank	100,000	2023.11.24~2024.01.24	1.90%	-	
Unsecured	O-Bank	200,000	2023.12.22~2024.03.22	1.99%	-	
Unsecured	The Export-Import Bank of the Republic of China	150,000	2023.02.15~2024.02.15	1.79%	-	
Unsecured	Chang Hwa Bank	112,500	2023.08.07~2024.08.07	2.20%		
		<u>\$ 1,162,500</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	2024.02.07	1.900%	\$ 100,000	(200)	99,800	
"	Taiwan Bills	2024.02.07	1.978%	100,000	(201)	99,799	
"	China Bills	2024.02.19	1.948%	150,000	(392)	149,608	
"	Dah Chung Bills	2024.02.01	1.978%	100,000	(140)	99,860	
				<u>\$ 450,000</u>	<u>(933)</u>	<u>449,067</u>	

CHINA METAL PRODUCTS CO., LTD.

Statement of Long-term Borrowings

December 31, 2023

(In Thousands of New Taiwan Dollars)

Creditor	Description	Financing Period	Interest Rates	Amount		Collateral
				Due within one year	Due over one year	
Mega Bank	Secured Borrowings	2023.07.27~2025.07.26	1.98 %	-	100,000	Note 2
CTBC Bank	Secured Borrowings	2023.10.31~2025.10.31	1.95 %	-	250,000	Note 1
CTBC Bank	Unsecured Borrowings	2023.10.31~2025.10.31	1.95 %	-	100,000	
CTBC Bank	Secured Borrowings	2023.10.31~2025.10.31	1.95 %	-	300,000	Note 1
CTBC Bank	Secured Borrowings	2023.10.31~2025.10.31	1.98 %	-	50,000	Note 1
Bank SinoPac	Secured Borrowings	2023.04.30~2025.04.30	1.88 %	-	1,300,000	Note 1, Notes 2 and 3
Shin Kong Bank	Secured Borrowings	2023.12.15~2026.12.15	1.95 %	-	300,000	Note 1
Taishin International Bank	Unsecured Borrowings	2023.10.31~2025.10.31	1.95 %	-	500,000	-
En Tie Commercial Bank	Unsecured Borrowings	2023.10.13~2025.10.13	1.95 %	-	300,000	-
Cathay United Bank	Unsecured Borrowings	2023.12.30~2025.12.30	1.81 %	-	200,000	-
Land Bank of Taiwan	Unsecured Borrowings	2023.12.12~2025.12.12	1.75 %	-	150,000	-
Bank of East Aisa	Unsecured Borrowings	2023.12.20~2025.12.20	1.98 %	-	200,000	-
Yuanta Bank	Unsecured Borrowings	2023.12.25~2025.12.25	1.89 %	-	150,000	-
Bank of Panhsin	Unsecured Borrowings	2023.06.08~2025.06.07	1.95 %	-	100,000	-
Bank of Taiwan	Unsecured Borrowings	2023.12.30~2025.12.30	1.93 %	-	100,000	-
KGI Bank	Unsecured Borrowings	2023.03.24~2025.03.24	1.88 %	-	300,000	-
Bank SinoPac	Unsecured Borrowings	2022.06.30~2025.05.30	1.92 %	100,000	50,000	-
Bank SinoPac	Unsecured Borrowings	2022.10.04~2025.05.30	2.01 %	50,000	50,000	-
Bank SinoPac	Land Loan	2019.12.04~2026.12.04	2.55 %	-	1,220,364	Note 4
Bank SinoPac	Syndicated Loan	2019.10.15~2024.10.14	2.50 %	1,734,800		Note 1
Less: Issuance Cost				-	(14)	
				<u>\$ 1,884,800</u>	<u>5,720,350</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, 2023****(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Manufacturing:	
Cast iron products	\$ <u>799,883</u>
Department Store:	
Rental revenue	35,411
Counter commissions	<u>371,007</u>
Subtotal	<u>406,418</u>
Other operating revenue	<u>37,068</u>
Net operating revenue	<u><u>\$ 1,243,369</u></u>

Note: The above amount had been deducted the allowance of sales return and discount amounted to \$20,609 thousand.

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Costs

For the Year Ended December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw Material	
Balance on January 1	\$ 8,969
Add: Purchases	118,532
Less: Loss on physical inventory count of raw material	(387)
Balance on December 31	(6,955)
Transfer to expenses	(517)
Raw material used in this period	119,642
Material	
Balance on January 1	11,252
Add: Purchases	120,027
Gain on physical inventory count of material	10
Less: Balance on December 31	(11,771)
Transfer to expenses	(35,043)
Material used in this period	84,475
Direct labor	79,661
Manufacturing overhead	355,744
Manufacturing costs	639,522
Add: Balance of work in process on January 1	50,094
Less: Balance of work in process on December 31	(17,141)
Add: Balance of semi-finished goods on January 1	40,770
Purchases	5,997
Less: Loss on physical inventory count of semi-finished goods	(379)
Balance of semi-finished goods on December 31	(15,035)
Transfer to expenses	(15,070)
Cost of finished goods	688,758
Add: Balance of finished goods on January 1	38,751
Less: Loss on physical inventory count of finished goods	(26)
Balance of finished goods on December 31	(42,045)
Cost of goods sold – Finished goods	685,438
Balance of merchandise on January 1	7,549
Add: Purchases	8,883
Less: Balance of merchandise on December 31	(4,923)
Transfer to expenses	(497)
Transfer to other prepayments	(1,324)
Cost of goods sold – Merchandise	9,688
Add: Raw material and mold cost	48,436
Loss for inventory obsolescence	782
Less: Gain from reversal of write-down	(496)
Others	2,624
Income from sale of scraps and others	(2,050)
Operating costs	\$ 744,422

CHINA METAL PRODUCTS CO., LTD.**Statement of Operating Expenses****For the Year Ended December 31, 2023****(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	\$ 11,201	185,361	-
Freight charges	5,625	52	-
Export expense	15,511	-	-
Administrating expense	-	146,866	-
Depreciation	238	207,568	-
Advertisement Fee	-	37,031	-
Other (Each of the items was less than 5% of the total account balance)	5,756	109,320	-
	<u>\$ 38,331</u>	<u>686,198</u>	<u>-</u>