Stock Code:1532

CHINA METAL PRODUCTS CO., LTD.

FINANCIAL STATEMENTS

with Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of China Metal Products Co., Ltd.("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheets of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of financial statements for the year ended December 31, 2019 of the Company. Those matters have been addressed in our audit opinion on the said financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

1. Revenue recognition

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

   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.

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corresponding audit procedure:

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

2. Impairment assessment of investments accounted for using equity method

For the accounting policy of investments accounted for using equity method's impairment assessment please refer to the Note 4(i) Investment in associates ; for the details of investments accounted for using equity method's impairment assessment, please refer to Note 6(f) 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 or supervisors) are responsible for overseeing China Metal Products Co., Ltd.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 30, 2020

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.

The independent auditors' audit 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' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 800,662	4	1,195,412	7
1170	Notes and accounts receivable, net (Notes 6(c) and (u))	192,544	1	287,693	1
1180	Accounts receivable due from related parties, net (Note 7)	24,467	-	33,227	-
130X	Inventories (Note 6(d))	182,380	1	109,278	1
1410	Prepayments	38,787	-	20,451	-
1470	Other current assets	19,458	-	22,481	-
1476	Other current financial assets (Note 7)	107,093	-	114,192	1
	Total current assets	1,365,391	6	1,782,734	10
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))	216,065	1	207,818	1
1550	Investments accounted for using equity method (Notes 6(f), (g) and 8)	13,590,186	63	14,050,807	77
1600	Property, plant and equipment (Notes 6(h), 7 and 8)	786,070	4	814,517	4
1755	Right-of-use assets (Note 6(i))	2,130,430	10	-	-
1760	Investment property, net (Note 6(j) and 8)	2,451,027	11	146,878	1
1780	Intangible assets	13,258	-	12,843	-
1840	Deferred tax assets (Note 6(r))	9,206	-	9,206	-
1900	Other non-current assets (Notes 6(h), 7 and 9)	460,191	2	456,643	3
1975	Non-current net defined benefit asset (Note 6(q))	7,643	-	-	-
1980	Other non-current financial assets (Notes 6(k), 7 and 9)	677,174	3	678,031	4
	Total non-current assets	20,341,250	94	16,376,743	90
	Total assets	$ 21,706,641	100	18,159,477	100

	Liabilities and equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Notes 6(l), 7 and 8)	$ 499,893	2	649,672	4
2130	Current contract liabilities (Note 6(u))	2,994	-	4,530	-
2170	Notes and accounts payable	240,850	1	273,652	2
2200	Other payables (Note 7)	203,117	1	317,449	2
2230	Current income tax liabilities	61,036	-	14,472	-
2280	Current lease liabilities (Note 6(n))	172,175	1	-	-
2300	Other current liabilities	11,229	-	12,638	-
2310	Advance receipts	2,068	-	1,700	-
2360	Current net defined benefit liability (Note 6(q))	-	-	1,389	-
	Total current liabilities	1,193,362	5	1,275,502	8
	Non-current liabilities:				
2541	Long-term borrowings (Notes 6(m), 7 and 8)	6,164,195	28	3,628,798	20
2580	Non-current lease liabilities (Note 6(n))	1,976,814	10	-	-
2640	Non-current net defined benefit liability (Note6(q))	-	-	2,803	2
2570	Deferred tax liabilities (Note 6(r))	433,583	2	448,979	-
2600	Other non-current liabilities (Note 6(o))	49,490	-	59,498	-
	Total non-current liabilities	8,624,082	40	4,140,078	22
	Total liabilities	9,817,444	45	5,415,580	30
	Equity attributable to owners of parent (Note 6(s)):				
3100	Share capital	3,852,521	18	3,852,521	21
3200	Capital surplus	1,523,104	7	1,525,666	8
3300	Retained earnings	6,569,681	30	7,159,640	40
3400	Other equity	(56,109)	-	206,070	1
	Total equity	11,889,197	55	12,743,897	70
	Total liabilities and equity	$ 21,706,641	100	18,159,477	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CHINA METAL PRODUCTS CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenues (Notes 6(u) and 7)**	$ 1,191,690	100	1,383,562	100
5000	**Operating costs (Notes 6(d) and 7)**	(667,419)	(56)	(852,237)	(62)
	Gross profit from operations	524,271	44	531,325	38
	Operating expenses (Note 7):				
6100	Selling expenses	(28,299)	(2)	(37,680)	(3)
6200	Administrative expenses	(549,676)	(46)	(616,899)	(44)
6300	Research and development expenses	(75)	-	-	-
6450	Expected credit loss (Note 6(c))	(2,573)	-	(1,893)	-
	Total operating expenses	(580,623)	(48)	(656,472)	(47)
6500	**Net other income and expenses (Note 6(w))**	3,007	-	2,508	-
	Net operating loss	(53,345)	(4)	(122,639)	(9)
	Non-operating income and expenses:				
7010	Other income (Notes 6(x) and 7)	97,143	8	101,967	7
7020	Other gains and losses (Note 6(x))	3,355	-	30,250	2
7050	Finance costs (Note 6(x))	(80,528)	(7)	(47,175)	(3)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Note 6(f))	605,054	51	1,575,954	114
	Total non-operating income and expenses	625,024	52	1,660,996	120
7900	**Profit from continuing operations before tax**	571,679	48	1,538,357	111
7950	Less: Tax expenses (Note 6(r))	(62,952)	(5)	(63,755)	(4)
8000	Profit from continuing operations	508,727	43	1,474,602	107
8100	**Profit from discontinued operations (Notes 6(e) and 12(d))**	-	-	360,970	26
	Profit	508,727	43	1,835,572	133
8300	**Other comprehensive income:**				
8310	**Items that may not be classified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	3,843	-	(1,415)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (Notes 6(q) and (y))	17,861	1	16,309	1
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(1,657)	-	(15,995)	(1)
	Total items that may not be classified subsequently to profit or loss	20,047	1	(1,101)	-
8360	**Items that may be classified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(280,040)	(22)	(255,991)	(19)
	Total items that may be classified subsequently to profit or loss	(280,040)	(22)	(255,991)	(19)
8300	**Other comprehensive income (after tax)**	(259,993)	(21)	(257,092)	(19)
8500	**Comprehensive income**	**$ 248,734**	**22**	**1,578,480**	**114**
	Earnings per share (Note 6(t))				
	Basic earnings per share				
9710	From continuing operations	$	1.32		3.82
9720	From discontinued operations	-			0.94
		$	**1.32**		**4.76**
	Diluted earnings per share				
9810	From continuing operations	$	1.32		3.81
9820	From discontinued operations	-			0.94
		$	**1.32**		**4.75**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings				Other Equity				
	Ordinary Shares	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	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total Other Equity Interest	Total Equity
Balance on January 1, 2018	$ 3,852,521	1,522,961	1,511,647	49,081	4,317,361	5,878,089	392,282	-	187	392,469	11,646,040
Effects of retrospective application	-	-	-	-	77,177	77,177	-	53,470	(187)	53,283	130,460
Balance on January 1, 2018, after adjustments	3,852,521	1,522,961	1,511,647	49,081	4,394,538	5,955,266	392,282	53,470	-	445,752	11,776,500
Profit for the year ended December 31, 2018	-	-	-	-	1,835,572	1,835,572	-	-	-	-	1,835,572
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(17,410)	(17,410)	(255,991)	16,309	-	(239,682)	(257,092)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,818,162	1,818,162	(255,991)	16,309	-	(239,682)	1,578,480
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	60,943	-	(60,943)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(577,878)	(577,878)	-	-	-	-	(577,878)
Other changes in capital surplus:											
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	426	-	-	(35,910)	(35,910)	-	-	-	-	(35,484)
Changes in equity of associates and joint ventures accounted for using equity method	-	2,279	-	-	-	-	-	-	-	-	2,279
Balance on December 31, 2018	3,852,521	1,525,666	1,572,590	49,081	5,537,969	7,159,640	136,291	69,779	-	206,070	12,743,897
Effects of retrospective application	-	-	-	-	(58,290)	(58,290)	-	-	-	-	(58,290)
Balance on January 1, 2019 after adjustments	3,852,521	1,525,666	1,572,590	49,081	5,479,679	7,101,350	136,291	69,779	-	206,070	12,685,607
Profit for the year ended December 31, 2019	-	-	-	-	508,727	508,727	-	-	-	-	508,727
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	2,186	2,186	(280,040)	17,861	-	(262,179)	(259,993)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	510,913	510,913	(280,040)	17,861	-	(262,179)	248,734
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	183,557	-	(183,557)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,040,181)	(1,040,181)	-	-	-	-	(1,040,181)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	(2,562)	-	-	(2,401)	(2,401)	-	-	-	-	(4,963)
Balance on December 31, 2019	**$ 3,852,521**	**1,523,104**	**1,756,147**	**49,081**	**4,764,453**	**6,569,681**	**(143,749)**	**87,640**	**-**	**(56,109)**	**11,889,197**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Profit from continuing operations before tax	$ 571,679	1,538,357
Profit from discontinued operations before tax	-	372,045
Profit before tax	571,679	1,910,402
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	266,546	72,871
Amortization expense	4,449	3,977
Interest expense	80,528	47,175
Expected credit loss	2,573	1,893
Interest income	(33,443)	(35,689)
Dividend income	(28,196)	(38,939)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(605,054)	(1,575,954)
(Gain) loss on disposal of property, plant and equipment	(1,922)	1,243
Property, plant and equipment transferred to expenses	152	196
Gain on disposal of discontinued operations and non-current assets held for sale	-	(375,757)
Total adjustments to reconcile profit	(314,367)	(1,898,984)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable, net	92,577	99,098
Accounts receivable due from related parties, net	8,760	(2,626)
Other receivables	10,324	(8,343)
Inventories	(73,102)	(21,191)
Prepayments	(18,173)	1,040
Other current financial assets	441	(6,236)
Total changes in operating assets	20,827	61,742
Changes in operating liabilities:		
Notes and accounts payable (including related parties), net	(32,802)	(68,311)
Other payables	(59,419)	54,534
Contract liabilities	(1,536)	(9,978)
Other current liabilities	(1,409)	9,017
Net defined benefit liability	(7,992)	(9,900)
Advance receipts	368	-
Total changes in operating liabilities	(102,790)	(24,638)
Total changes in operating assets and liabilities	(81,963)	37,104
Total adjustments	(396,330)	(1,861,880)
Cash inflow generated from operations	175,349	48,522
Interest received	20,031	20,556
Dividends received	808,369	376,589
Interest paid	(77,771)	(46,719)
Income taxes paid	(31,785)	(46,920)
Net cash flows generated from operating activities	894,193	352,028
Cash flows from investing activities:		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	9,614	1,947
Proceeds from capital reduction of investments accounted for using equity method	-	2,970
Proceeds from disposal of non-current assets held for sale	-	616,480
Acquisition of property, plant and equipment	(51,292)	(91,113)
Proceeds from disposal of property, plant and equipment	2,090	798
Acquisition of intangible assets	(3,212)	(5,563)
Acquisition of investment properties	(2,304,149)	-
Decrease in other financial assets	857	524
Increase in other non-current assets	(116,939)	(164,199)
Net cash flows (used in) generated from investing activities	(2,463,031)	361,844
Cash flows from financing activities:		
Increase in short-term borrowings	2,150,000	1,800,000
Decrease in short-term borrowings	(2,100,000)	(1,751,024)
(Decrease) increase in short-term notes and bills payable	(199,779)	199,754
Proceeds from long-term borrowings	7,744,234	4,119,976
Repayments of long-term borrowings	(5,209,000)	(4,401,000)
Increase in other non-current liabilities	1,195	100
Cash dividends paid	(1,040,181)	(577,878)
Payment of lease liabilities	(172,381)	-
Net cash flows generated from (used in) financing activities	1,174,088	(610,072)
Net (decrease) increase in cash and cash equivalents	(394,750)	103,800
Cash and cash equivalents at beginning of year	1,195,412	1,091,612
Cash and cash equivalents at end of year	$ 800,662	1,195,412

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, 2019 and 2018

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

(1) Company history

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

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

The financial statements were authorized for issue by the Board of Directors on March 30, 2020.

(3) New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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

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

(i) IFRS 16"Leases"

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

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(n).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of office, office facilities, dormitory and company cars.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company' s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  — their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee' s incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or

  — an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

  In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

  — Applied a single discount rate to a portfolio of leases with similar characteristics.

- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- Leases previously classified as finance leases

  For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized the right-of-use assets, other non-current assets, other payables, and the lease liabilities to increase by $2,316,517 thousand, decrease by $113,250 thousand, decrease by $57,670 thousand, and increase by $2,318,176 thousand, respectively, as well as the retained earnings to decrease by $57,239 thousand, on January 1, 2019. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.32%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	$ 2,905,820
Recognition exemption for:	
Short-term and low-value assets leases	(286,176)
	2,619,644
Discounted using the incremental borrowing rate at January 1, 2019	2,318,176
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	$ 2,318,176

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial assets at fair value through other comprehensive income are measured at fair value;

2) The defined benefit liabilities (assets) are recognized as the fair value of the plan assets less the present value of the defined obligation, which is limited as explained in Note 4(t).

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transactions

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

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely to occur in the foreseeable future, 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

(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.

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.

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) and debt investments measured at FVOCI.

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;

- 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.

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 expires. 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.

(g) Inventories

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

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

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

(i) Non-current assets held for sale

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

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

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

Once classified as held for sale are intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(ii) Discontinued operations

A discontinued operation is a component of the Company' s business that either has been disposed, or is classifies as held for sale, and

1) represents a separate major line of business or geographic area of operations;

2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or

3) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

(i) Investment in associates

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

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

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date 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.

(j) Subsidiaries

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

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

(k) Joint Arrangements

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

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

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

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

A joint 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(i) 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.

(l) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition, and 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.

(m) 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.

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(iv) Reclassification to investment property

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

(n) Leases

Policy applicable from January 1, 2019

(i) Identifying a lease

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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

– the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

– the relevant decisions about how and for what purpose the asset is used are predetermined and:

- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, 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.

(ii) As a leasee

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.

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.

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.

(iii) 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.

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.

Policy applicable before January 1, 2019

(i) Lessor

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

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

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

(ii) Lessee

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

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

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

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

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

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

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

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

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

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

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

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

(o) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Computer software 3~10 years

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

(p) 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.

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.

(q) 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.

(r) 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.

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

2) Customer loyalty program

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

3) Financing components

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

(s) 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.

(t) Employee benefits

(i) Defined contribution plans

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

(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.

(u) 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:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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 currenttax 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.

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.

(v) 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.

(w) Operating segments

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

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

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

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

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 obtained the ownership of the goods and not obligated to the sale of the goods.

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

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

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

(a) The loss allowance of accounts receivable

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

(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 years ended December 31, 2019 and 2018 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 years ended December 31, 2019 and 2018 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(q) 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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 1,400	1,400
Cash in banks	502,670	229,404
Time deposits	296,592	964,608
Cash and cash equivalents	**$ 800,662**	**1,195,412**

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

(Continued)

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

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income		
Stocks unlisted on domestic markets—MEITA Industrial Co., Ltd.	$ 135,300	128,063
Stocks unlisted on domestic markets—YUHUA Venture Capital Co., Ltd.	830	1,473
Stocks unlisted on domestic markets—FUHUA Venture Capital Co., Ltd.	1,920	2,868
Stocks unlisted on domestic markets—GUANGYUAN Investment Co., Ltd.	44,080	40,308
Stocks unlisted on domestic markets—DEVELOPMENT Venture Capital Co., Ltd.	33,935	35,106
Total	$ 216,065	207,818

(i) The Company intends to hold the equity investments for long-term strategic purposes, rather than transaction purposes. Therefore, the investments are measured at FVOCI.

(ii) The Company did not dispose the strategic investments during the year of 2019 and 2018. Therefore, the accumulated income and loss was not transferred in equity.

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

(iv) As of December 31, 2019 and 2018, the financial assets were not pledged as collateral.

(c) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 34,079	38,736
Accounts receivable-measured as amortized cost	164,970	252,979
Subtotal	199,049	291,715
Less: Loss allowance	(6,505)	(4,022)
Total	$ 192,544	287,693

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

	December 31, 2019		
	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	$ 174,702	0%	-
1 to 30 days past due	654	0%	-
31 to 90 days past due	6,742	0%	-
91 to 120 days past due	1,530	6.82%	105
121 days to a year past due	10,886	17.13%	1,865
Over a year past due	4,535	100%	4,535
	$ 199,049		**6,505**

	December 31, 2018		
	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	$ 263,927	0%	-
1 to 30 days past due	5,903	0%	-
31 to 90 days past due	15,212	0%	-
91 to 120 days past due	1,101	0%	-
121 days to a year past due	3,305	0%	1,755
Over a year past due	2,267	100%	2,267
	$ 291,715		**4,022**

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

	For the Years Ended December 31	
	2019	2018
Balance on January 1	$ 4,022	2,152
Impairment losses recognized	2,573	1,870
Amounts written off	(90)	-
Balance on December 31	**$ 6,505**	**4,022**

The financial assets mentioned above were not pledged as collateral.

(d) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 2,796	6,782
Materials	4,668	5,765
Work in process	68,557	34,131
Semi-finished goods	53,254	25,901
Finished goods	48,868	28,763
Merchandise	4,237	7,936
	$ 182,380	**109,278**

For the years ended December 31, 2019 and 2018, the cost of goods sold and expenses were amounted to $667,419 thousand and $852,237 thousand, respectively. For the years ended December 31, 2019 and 2018, the reversal gain from the sale of the beginning inventories were amounted to $3,741 thousand and $7,671 thousand, respectively.

The inventories were not pledged as collateral, as of December 31, 2019 and 2018.

(e) Non-current assets held for sale

For the efficient usage and operation of assets, the Company resolved to sale the land, factory, and equipment of the steel product segment in the 4th quarter of 2017.

In the 1st quarter of 2018, the Company sold all of the land and factory and most of the equipment in the steel product segment. The disposal gain $375,757 thousand arose from measuring at the selling price less costs to sell and the book value shall be presented in the line item of profit from discontinued operations in the statement of comprehensive income. For the information on disposal gain or loss, please refer to Note12(d). There were no non current assets held-for-sale as of December 31, 2019 and 2018.

(f) 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, 2019	December 31, 2018
Subsidiaries	$ 13,236,263	13,672,450
Associates	(21,760)	(21,760)
Joint ventures	375,683	400,117
	$ 13,590,186	**14,050,807**

(i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2019.

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

(ii) Associates

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

	December 31, 2019	December 31, 2018
Carry amount of individually insignificant associates' equity	$ (21,760)	(21,760)

	For the Years Ended December 31	
	2019	2018
Attributable to the Company:		
Net loss from continuing operations	$ -	-
Other comprehensive income	-	-
Total	$ -	-

Due to the fact that the Company does not have the obligation of assuming the excess losses, it ceased the recognition of the losses from the investment of Amida Trustlink Assets Management Co., Ltd. For the years ended December 31, 2019 and 2018, the unrealized investment losses were amounted to $232 thousand and $221 thousand, respectively; and the accumulated unrealized investment losses amounted to $34,421 thousand.

(iii) Joint ventures

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

	December 31, 2019	December 31, 2018
Carry amount of individually insignificant joint ventures' equity	$ 375,683	400,117

(Continued)

	For the Years Ended December 31	
	2019	2018
Attributable to the Company:		
Net loss from continuing operations	$ (26,643)	(23,998)
Other comprehensive income	-	-
Comprehensive income	$ (26,643)	(23,998)

(iv) Pledge to secure

For the information on the investments accounted for using equity, as of December 31, 2019 and 2018, please refer to Note 8.

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

(i) Acquisition of subsidiary

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

During the years of 2019 and 2018, the Company invested Atrans Precision in cash by the of amounts of $958 thousand and $76,878 thousand, respectively, which increased the equity investment from 83.58% to 83.74% and from 70.47% to 83.58%, respectively.

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

	For the Years Ended December 31		
	2019	2018	
	Atrans Precision	PUJEN Land Development	Atrans Precision
Book value of acquisition of non-controlling interests	913	17,833	76,915
Cash paid to non-controlling interests	(958)	(17,444)	(76,878)
Capital surplus	(45)	389	37

The capital surplus resulting form changes in ownership is not sufficient as of December 31, 2019 and 2018, the remaining difference was a debited to retained earnings.

(ii) Loss control of subsidiaries

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

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Notes to the Financial Statements

(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 are as follows:

	Land	Buildings	Machinery	Office Equipment	Transportation Equipment	Other Equipment	Prepayments for Equipment and Construction in Progress	Total
Cost:								
Balance on January 1, 2019	$ 113,667	263,803	766,965	22,489	8,723	92,044	38,980	1,306,671
Additions	-	3,212	1,819	1,428	-	9,535	35,298	51,292
Disposals	-	(913)	(2,055)	-	(800)	-	-	(3,768)
Reclassification	-	6,184	19,550	180	-	5,224	(33,441)	(2,303)
Balance at December 31, 2019	$ 113,667	272,286	786,279	24,097	7,923	106,803	40,837	1,351,892
Balance at January 1, 2018	$ 113,667	256,168	775,328	41,479	10,663	74,711	23,012	1,295,028
Additions	-	5,048	6,959	3,578	-	26,535	48,993	91,113
Disposals	-	(1,362)	(13,866)	(22,029)	(1,000)	(8,882)	-	(47,139)
Reclassification	-	3,949	(1,456)	(539)	(940)	(320)	(33,025)	(32,331)
Balance on December 31, 2018	$ 113,667	263,803	766,965	22,489	8,723	92,044	38,980	1,306,671
Accumulated depreciation and impairment losses:								
Balance on January 1, 2019	$ -	91,315	344,870	13,587	7,533	34,849	-	492,154
Depreciation	-	10,732	47,815	3,196	770	14,752	-	77,265
Disposals	-	(753)	(2,047)	-	(800)	-	-	(3,600)
Reclassification	-	-	-	-	-	3	-	3
Balance on December 31, 2019	$ -	101,294	390,638	16,783	7,503	49,604	-	565,822
Balance on January 1, 2018	$ -	82,834	334,144	32,451	8,198	31,724	-	489,351
Depreciation	-	9,777	46,053	3,612	1,212	12,217	-	72,871
Disposals	-	(1,296)	(11,891)	(22,029)	(1,000)	(8,882)	-	(45,098)
Reclassification	-	-	(23,436)	(447)	(877)	(210)	-	(24,970)
Balance on December 31, 2018	$ -	91,315	344,870	13,587	7,533	34,849	-	492,154
Carrying value:								
Balance on December 31, 2019	$ 113,667	170,992	395,641	7,314	420	57,199	40,837	786,070
Balance on January 1, 2018	$ 113,667	173,334	441,184	9,028	2,465	42,987	23,012	805,677
Balance on December 31, 2018	$ 113,667	172,488	422,095	8,902	1,190	57,195	38,980	814,517

(i) As of December 31, 2019 and 2018, please refer to Note 8 for the details of plant, property and equipment pledged as collateral for the Company's long-term loan and financing guarantee.

(ii) The land held by the Company is located at Xihfeng 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. The information regarding the land mentioned above, which is presented in the line item of other non-current assets is as follows:

	December 31, 2019	December 31, 2018
Land	$ 22	22

(Continued)

(i) Right-of-use assets

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

	Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Other Equipment	Total
Cost:							
Balance on January 1, 2019	$ -	-	-	-	-	-	-
After application of IFRS 16 adjustments	666,672	2,401,333	4,986	14,068	1,210	122,607	3,210,876
Additions	-	922	-	2,272	-	-	3,194
Balance on December 31, 2019	$ 666,672	2,402,255	4,986	16,340	1,210	122,607	3,214,070
Accumulated depreciation and impairment losses:							
Balance at January 1, 2019	$ -	-	-	-	-	-	-
After application of IFRS 16 adjustments	37,500	842,816	831	5,323	413	7,476	894,359
Depreciation	16,667	162,949	997	4,887	259	3,522	189,281
Balance on December 31, 2019	$ 54,167	1,005,765	1,828	10,210	672	10,998	1,083,640
Carrying value:							
Balance on December 31, 2019	$ 612,505	1,396,490	3,158	6,130	538	111,609	2,130,430

The Company leases offices, buildings, development land, equipment and company cars under the finance lease for the year ended December 31, 2018, please refer to note 6(p).

(j) Investment property

	Land
Cost or deemed cost:	
Balance on January 1, 2019	$ 146,878
Additions	2,304,149
Balance on December 31, 2019	$ 2,451,027
Balance on January 1, 2018	$ 146,878
Balance on December 31, 2018	$ 146,878
Carrying amounts:	
Balance on December 31, 2019	$ 2,451,027
Balance at December 31, 2018	$ 146,878
Fair value:	
Balance on December 31, 2019	$ 2,451,027
Balance on December 31, 2018	$ 136,580

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

To optimize the use of assets of the Company by expanding its land for future development, the Company resolved to acquire 21 pieces of land located in Houlongzi Section, West District, Taichung City. The total price of $2,294,620 thousand had been fully paid-up as of December 31, 2019.

As of December 31, 2019 and 2018, the details of investment properties pledged as collateral, please refer to Note 8.

(k) Other non-current financial assets

	December 31, 2019	December 31, 2018
Refundable deposit	$ 102,174	103,031
Debt obligation receivable—The Splendor Hospitality International Co., Ltd.	575,000	575,000
Debt obligation receivable—Chin Ling Steel Co., Ltd. —non-guarantee	23,250	23,250
Less: Accumulated impairment—Debt obligation receivable-Chin Ling Steel Co., Ltd.	(23,250)	(23,250)
	$ 677,174	**678,031**

(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, 2019			
Underlying	Obligation Cost	Obligation Principal	Valuation Assessment	Collateral
The Splendor Hospitality International	$ 575,000	796,845	According to the assessment of Zhonglian Real Estate Appraiser Joint Office, the valuation of mortgage is $7,579,711 thousand. After deducting the 1st security, which was amounted to $3,960,000 thousand, the residual mortgage attributed to the Group was amounted to $1,809,856 thousand.	The building of The Splendor Hospitality International (the 2nd security)

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

(ii) As of December 31, 2019 and 2018, the costs and principal of debt obligation from Chin Ling Steel were $23,250 thousand and $118,561 thousand, respectively.

(l) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank borrowings	$ 400,000	350,000
Notes and bills payable	99,893	299,672
Total	$ 499,893	649,672
Unused credit limit	$ 739,840	665,760
Range of interest rates	0.92%~1.18%	0.91%~1.15%

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

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

(m) Long-term borrowings

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

	December 31, 2019			
	Currency	Range of Interest Rates	Term	Amount
Unsecured bank borrowings	NTD	1.18%~1.37%	2021	$ 1,999,000
Secured bank borrowings	NTD	1.00%~2.00%	2021~2024	4,165,234
Less: Current portion				-
Unamortized long-term borrowings costs				(39)
Total				**$ 6,164,195**
Unused credit limit				**$ 431,361**

	December 31, 2018			
	Currency	Range of Interest Rates	Term	Amount
Unsecured bank borrowings	NTD	1.24%~1.28%	2020	$ 1,649,000
Secured bank borrowings	NTD	1.00%~1.30%	2020~2021	1,980,000
Less: Unamortized long-term borrowings costs				(202)
Total				**$ 3,628,798**
Unused credit limit				**$ 851,000**

(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 debt ratio shall be less than or equal to 200%, 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, 2019, the Company was in compliance with the above borrowing covenants

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

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

(n) Lease liabilities

The details of the lease liabilities is as follows:

	December 31, 2019
Current	$ 172,175
Non-current	$ 1,976,814

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

The amounts recognized in profit or loss is as follows:

	For the Year Ended December 31, 2019
Interest on lease liabilities	$ 28,237
Expenses relating to leases short-term assets	$ 12,716

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

	For the Year Ended December 31, 2019
Total cash outflow for leases	$ 213,334

(i) Real estate leases

As of December 31, 2019, 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.

(Continued)

(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.

(o) Provisions

	Financial Guarantee Contracts
Balance on January 1, 2019	$ 55,958
Provision	2,209
Unwinding of discount	(13,411)
Balance on December 31, 2019	**$ 44,756**
Balance on January 1, 2018	$ 10,359
Provision	60,732
Unwinding of discount	(15,133)
Balance on December 31, 2018	**$ 55,958**

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.

(p) Operating leases

Lessee

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

	December 31, 2018
Less than one year	$ 228,013
One to five years	860,587
Over five years	1,817,220
	$ 2,905,820

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

For the year ended December 31, 2018, the operating lease expenses amounted to $226,423 thousand.

(q) Employee benefits

(i) Defined benefit plans

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	$ 59,668	67,660
Fair value of plan assets	(67,311)	(63,468)
Net defined benefit liabilities	**$ (7,643)**	**4,192**

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

1) Composition of plan assets

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

The Company's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to $67,311 thousand on the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2019 and 2018 are as follows:

	For the Years Ended December 31	
	2019	2018
Defined benefit obligations on January 1	$ 67,660	77,374
Current service costs and interest	1,717	2,112
Remeasurements of the net defined benefit liability (asset)		
—Return on plan assets (not including current interest cost)	(2,421)	1,393
—Actuarial gains from changes in demographic assumptions	750	1,664
Benefits paid by the plan	(8,038)	(14,883)
Defined benefit obligation on December 31	**$ 59,668**	**67,660**

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, 2019 and 2018 are as follows:

	For the Years Ended December 31	
	2019	2018
Fair value of plan assets on January 1	$ 63,468	64,697
Interest revenue	761	948
Remeasurements of the net defined benefit liability (asset)		
—Return on plan assets (not including current interest cost)	2,172	1,642
Contributed amount	8,948	11,064
Benefits paid by the plan	(8,038)	(14,883)
Fair value of plan asset on December 31	**$ 67,311**	**63,468**

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, 2019 and 2018 are as follows:

	For the Years Ended December 31	
	2019	2018
Current service cost	$ 971	1,066
Net interest on net defined benefit liability (asset)	(15)	98
	$ 956	**1,164**

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, 2019 and 2018, are as follows:

	For the Years Ended December 31	
	2019	2018
Cumulative amount on January 1	$ 29,388	27,973
Recognized during the year	(3,843)	1,415
Cumulative amount on December 31	**$ 25,545**	**29,388**

(Continued)

7) Actuarial assumptions

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

	2019.12.31	2018.12.31
Discount rate	1.000 %	1.125 %
Future salary increase rate	3.000 %	3.000 %

Based on the actuarial report, the Company is expected to make a contribution payment of $2,316 thousand to the defined benefit plans for the one year period after the reporting date of 2019.

The weighted-average duration of the defined benefit plans is 12.58 years.

8) Sensitivity analysis

As of December 31, 2019 and 2018, the changes in the principal actuarial assumptions that will impact on the present value of defined benefit obligation are as follows:

	Impact on Present Value of Defined Benefit Obligations	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2019		
Discount rate	$ (1,429)	1,479
Future salary increase rate	1,419	(1,377)
December 31, 2018		
Discount rate	(1,664)	1,718
Future salary increase rate	1,652	(1,602)

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

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

(ii) Defined contribution plans

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

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2019 and 2018 amounted to $7,195 thousand and $6,792 thousand, respectively.

(Continued)

(iii) As of December 31, 2019 and 2018, the Company's employee benefits retirement expenses amounted to $228 thousand and $387 thousand, respectively.

(r) Income taxes

(i) The income taxes expense for the years ended December 31, 2019 and 2018 are as follows:

	For the Years Ended December 31	
	2019	2018
Current income taxes expense		
Current period incurred	$ 47,499	33,248
Surtax on undistributed earnings	32,242	-
Adjustment for prior periods	(1,393)	803
	78,348	34,051
Deferred tax (benefit) expense		
Gain on non-performing loan	-	(1,381)
(Losses) gains on foreign exchange	(519)	1,512
(Losses) gains from overseas investment	(1,793)	21,559
(Losses) gains from sales leaseback	(13,084)	8,014
	(15,396)	29,704
Income tax expense (not including tax expense arose from disposal of discontinued operation)	**$ 62,952**	**63,755**
Income tax expense from continuing operations	$ 62,952	63,755
Income tax expense from discontinued operation	-	11,075
	$ 62,952	**74,830**

Income tax on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2019 and 2018 are as follows:

	For the Years Ended December 31	
	2019	2018
Profit before income tax	$ 571,679	1,538,357
Income tax expense at domestic statutory tax rate	114,336	307,671
Investment loss accounted for using equity method	(71,503)	(247,343)
Domestic investment income under Article 42 of Income Tax Act	(5,639)	(7,788)
Change on unrecognized temporary differences	(2,762)	(4,369)
5% surtax on undistributed earnings	32,242	-
Prior overestimate/underestimate income tax	(1,393)	803
Changes in tax rates	-	19,514
Land value increment tax	-	11,075
Others	(2,329)	(4,733)
Income tax expense	**$ 62,952**	**74,830**

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The unrecognized deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 3,718	6,480

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 are as follows:

Deferred tax assets:

	Gain on Non-performing Loan
Balance on January 1, 2019	$ 9,206
Balance on December 31, 2019	$ 9,206
Balance on January 1, 2018	$ 7,825
Debit (credit) on income statement	1,381
Balance on December 31, 2018	$ 9,206

Deferred tax liabilities:

	Land Value Increment	Foreign Exchange Gain (Losses)	Gain from Overseas Investment	Gain from Sale Leaseback	Total
Balance on January 1, 2019	$ 28,979	361	292,067	127,572	448,979
Debit (credit) on income statement	-	(519)	(1,793)	(13,084)	(15,396)
Balance on December 31, 2019	$ 28,979	(158)	290,274	114,488	433,583
Balance on January 1, 2018	$ 28,979	(1,151)	270,508	119,558	417,894
Debit (credit) on income statement	-	1,512	21,559	8,014	31,085
Balance on December 31, 2018	$ 28,979	361	292,067	127,572	448,979

3) The income tax returns of the Company had been assed and approved by the Tax Authority through 2017.

(s) Share capital and other interests

(i) Ordinary shares

As of December 31, 2019 and 2018, the authorized capital of the Company consisted of 4,000,000 thousand shares, with par value of $10 per share. The outstanding shares were amounted to $3,852,521 thousand and the capital that arose from the shares had all been retrieved.

(ii) Capital surplus

The components of the capital surplus are as follows:

	December 31, 2019	December 31, 2018
From issuance of share capital	$ 626,110	626,110
Employee stock option of subsidiaries	33,352	33,352
From conversion of convertible bonds	863,499	863,499
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	426
Changes in equity of associates and of joint ventures accounted for using equity method	143	2,279
	$ 1,523,104	**1,525,666**

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.

(Continued)

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

1) Legal reserve

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

2) Special reserve

The Company applied the exemptions at the first-time adoption of IFRSs, and increased its retained earnings by $49,081 thousand, which resulted from unrealized revaluation increments, exchange differences on translation of foreign financial statements, and the fair value of investment property being used as the cost on initial recognitions at the transition date. In accordance with Permit No.1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a special reverse equals to the contra account of other shareholders' equity is appropriated from current and prior period earnings. The aforementioned special reserve may be reversed in proportion with the usage, disposal, or reclassification of the related assets, and then, be distributed afterwards. As of December 31, 2019 and 2018, the Company recognized the special reserve related to all IFRSs adjustments amounted to $49,081 thousand.When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The Company appropriated the 2018 and 2017 earnings, which was resolved by the shareholder's meeting on June 24, 2019 and June 21, 2018, respectively. These earnings were appropriated or distributed as follows:

	For the Years Ended December 31			
	2018		2017	
	Allotment	Amount	Allotment	Amount
Common stock dividends per share				
Cash	$ 2.70	1,040,181	1.50	577,878

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	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total
Balance on January 1, 2019	$ 136,291	69,779	-	206,070
Exchange differences on foreign operations	(280,040)	-	-	(280,040)
Unrealized gain on financial assets measured at FVOCI	-	17,861	-	17,861
Balance on December 31, 2019	**$ (143,749)**	**87,640**	-	**(56,109)**
Balance on January 1, 2018	$ 392,282	-	187	392,469
Effects of retrospective application	-	53,470	(187)	53,283
Balance on January 1, 2018, after adjustments	392,282	53,470	-	445,752
Exchange differences on foreign operations	(255,991)	-	-	(255,991)
Unrealized gain on financial assets measured at FVOCI	-	16,309	-	16,309
Balance on December 31, 2018	**$ 136,291**	**69,779**	-	**206,070**

(t) Earnings per share

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

	For the Years Ended December 31	
	2019	2018
Basic earnings per share		
Profit from continuing operation attributable to the Company	$ 508,727	1,474,602
Profit from discontinued operation attributable to the Company	-	360,970
Profit attributable to owners of the parent	**$ 508,727**	**1,835,572**
Weighted average number of ordinary shares	385,252	385,252
Basic earnings per share		
Profit from continuing operation	$ 1.32	3.82
Profit from discontinued operation	-	0.94
	$ 1.32	**4.76**

(Continued)

	For the Years Ended December 31	
	2019	2018
Diluted earnings per share		
Profit from continuing operation attributable to the Company	$ 508,727	1,474,602
Profit from discontinuing operation attributable to the Company	-	360,970
Profit attributable to owners of the parent (after the adjustment of diluted ordinary shares)	**$ 508,727**	**1,835,572**
Weighted average number of ordinary shares	385,252	385,252
Effect of potential diluted ordinary shares		
Employee stock option	813	1,495
Weighted average number of ordinary shares (after the adjustment of diluted ordinary shares)	386,065	386,747
Diluted earnings per share		
Profit from continuing operation	$ 1.32	3.81
Profit from discontinued operation	-	0.94
	$ 1.32	**4.75**

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the Year Ended December 31		
	2019		
	Metal Manufacturing Segment	Lifestyle Hospitality Segment	Total
Major geographic markets:			
Taiwan	$ 464,107	346,304	810,411
United States	45,806	-	45,806
Japan	68,351	-	68,351
China	28,068	-	28,068
Europe	117,924	-	117,924
South America	572	-	572
Others	120,558	-	120,558
	$ 845,386	**346,304**	**1,191,690**
Major product/service lines:			
Iron casting hardware	$ 845,386	-	845,386
Counter commissions	-	269,599	269,599
Others	-	76,705	76,705
	$ 845,386	**346,304**	**1,191,690**

(Continued)

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

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

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable	$ 199,049	291,715	389,934
Less: Loss allowance	(6,505)	(4,022)	(2,152)
Total	**$ 192,544**	**287,693**	**387,782**
Contract assets	**$ -**	**-**	**-**
Contract liabilities –Advanced receipts	**$ 2,994**	**4,530**	**14,145**

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, 2019 and 2018 that were included in the contract liabilities balance at the beginning of the period were $1,996 thousand and $9,615 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.

(v) Employees' compensation and remuneration of directors

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

For the years ended December 31, 2019 and 2018, appropriated employees' compensation by $15,662 thousand and $52,340 thousand, respectively, and appropriated remuneration of directors by $15,060 thousand and $50,327 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, 2019 and 2018. The number of shares to be distributed were calculated based on the closing price of the Company' s ordinary shares, one day prior to Board of Directors meeting. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss.

There were no significant difference between employees' compensation and remuneration of directors approved by the Board of Directors meeting and the estimated amount for the years of 2018 and 2017.

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

(w) Net other income and expenses

	For the Years Ended December 31	
	2019	2018
Rental revenue	$ 3,007	2,508

(x) Non-operating income and expenses

(i) Other income

	For the Years Ended December 31	
	2019	2018
Interest income		
Interest income from bank deposits	$ 20,031	20,556
Interest income from financial assets measured at amortized cost	13,411	15,133
Dividend income	28,196	38,939
Others	35,505	27,339
	$ 97,143	**101,967**

(ii) Other gains and losses

	For the Years Ended December 31	
	2019	2018
Gains (losses) on disposals of property, plant and equipment	$ 1,922	(1,243)
Foreign exchange gains	1,793	31,493
Other expenses	(360)	-
	$ 3,355	**30,250**

(iii) Finance costs

	For the Years Ended December 31	
	2019	2018
Bank borrowing interest expense	$ 50,819	45,787
Lease liability interest expense	28,237	-
Bank borrowing costs	1,472	1,388
	$ 80,528	**47,175**

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(Continued)

(ii) Liquidity risk

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

	Contractual Cash Flow	Within 1 year	Within 1-2 years	Within 2-5 years	Over 5 Years
December 31, 2019					
Non-derivative financial liabilities					
Bank borrowings	$ 6,855,618	581,931	3,019,581	3,254,106	-
Lease liabilities	2,424,915	198,249	194,586	585,452	1,446,628
Notes and accounts payables (including related parties)	240,850	240,850	-	-	-
Other payables (including related parties)	116,573	116,573	-	-	-
	$ 9,637,956	1,137,603	3,214,167	3,839,558	1,446,628
December 31, 2018					
Non-derivative financial liabilities					
Bank borrowings	$ 4,366,183	692,337	2,116,385	1,557,461	-
Notes and accounts payables (including related parties)	273,652	273,652	-	-	-
Other payables (including related parties)	161,914	161,914	-	-	-
	$ 4,801,749	1,127,903	2,116,385	1,557,461	-

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:

	December 31, 2019			December 31, 2018		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 22,805	29.98	683,693	35,410	30.72	1,087,631
EUR	2,304	33.59	77,377	532	35.20	18,710
JPY	65,631	0.2760	18,114	65,008	0.3782	18,085
CNY	595	4.31	2,566	574	4.47	2,565
Financial liabilities						
Monetary items						
USD	16	29.98	477	86	30.72	2,638
EUR	23	33.59	763	70	35.20	2,450
CNY	18	4.31	75	1,893	4.47	8,467

(Continued)

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 Group's functional currency as of December 31, 2019 and 2018 would have increased (decreased) the after-tax net income for the years ended December 31, 2019 and 2018 by $6,243 thousand and $8,907 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, 2019 and 2018, the foreign exchange gains (losses), including both realized and unrealized, were amounted to $1,793 thousand and $31,493, 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 $65,642 thousand and $39,787 thousand for the years ended December 31, 2019 and 2018, 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			
	2019		2018	
	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%	$ 21,607	-	20,782	-
Decrease 10%	$ (21,607)	-	(20,782)	-

(Continued)

(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, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Non-current financial assets at FVOCI	$ 216,065	-	-	216,065	216,065
Financial assets measured at amortized cost	$ 1,801,940	-	-	-	-
Financial liabilities measured at amortized cost	$ 9,170,500	-	-	-	-

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Non-current financial assets at FVOCI	$ 207,818	-	-	207,818	207,818
Financial assets measured at amortized cost	$ 2,308,555	-	-	-	-
Financial liabilities measured at amortized cost	$ 4,718,567	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

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

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

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

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

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

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

- 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, 2019 and 2018.

4) Reconciliation of Level 3 instruments

	Noncurrent Financial Assets at FVOCI
	Equity Instrument without Quoted Price
Balance on January 1, 2019	$ 207,818
Total gains recognized as other comprehensive income	17,861
Receipts from capital reduction	(9,614)
Balance on December 31, 2019	**$ 216,065**
Balance on January 1, 2018	$ 193,456
Total gains recognized as other comprehensive income	16,309
Receipts from capital reduction	(1,947)
Balance on December 31, 2018	**$ 207,818**

(Continued)

The total gains or losses is listed under "unrealized gain on financial assets at FVOCI". The information on assets held as of December 31, 2019 is as follows:

	For the Years Ended December 31	
	2019	2018
Total gains or losses		
Recognized as other comprehensive income (which is listed under "unrealized gain on financial assets of FVOCI")	$ 17,861	16,309

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

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

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

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	• Average expected future dividend income of 5 years (As of December 31, 2019 and 2018, were $0~30,176 and $0~31,752 thousand.)	• The estimated fair value would increase, if the 5-year average expected future dividend income is increase.
		• Weighted average capital cost (As of December 31, 2019 and 2018, were 3.45% and 5.79%, respectively.)	• The estimated fair value would decrease, if the weighted average capital cost is increased.
		• Discounting rate without market liquidity (As of December 31, 2019 and 2018, were both 15%)	• The estimated fair value would decrease, if the discounting rate without market liquidity is increased.

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

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

	Inputs	Fluctuation in Inputs	Other Comprehensive Income	
			Favourable	Unfavourable
December 31, 2019				
Financial assets at FVOCI				
Equity investments without an active market	3.45 %	1%	8,103	(7,693)
December 31, 2018				
Financial assets at FVOCI				
Equity investments without an active market	5.79 %	1%	7,567	(7,193)

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

(z) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts and other receivable

The exposure of the credit risk is depend on each customer. The Company assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country. For the years ended December 31, 2019 and 2018, 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, 2019 and 2018, please refer to Note 7 and 13 (a)(ii) for the details of financial guarantees of subsidiaries and joint venture provided by the Company.

(iv) Liquidity risk

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

(v) Market risk

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

1) Currency risk

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

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

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

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

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, 2019, the Company's capital management strategy is consistent with the prior year as of December 31, 2018. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2019 and 2018, is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 9,817,444	5,415,580
Less: Cash and cash equivalents	(800,662)	(1,195,412)
Net debt	9,016,782	4,220,168
Total equity	11,889,197	12,743,897
Total capital	**$ 20,905,979**	**16,964,065**
Debt-to-capital ratio	**43.13 %**	**24.88 %**

(7) Related-party transactions:

(a) The ultimate parent company

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

(b) Names and relationship with related parties

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

Name of Related Party	Relationship with the Company
United Elite Agents Limited (UEA)	Subsidiaries
Atrans Precision Industries Co., Ltd. (Atrans Precision)	Subsidiaries
Sunflower Investment Co., Ltd. (Sunflower Investment)	Subsidiaries
The Hotel National Co., Ltd. (The Hotel National)	Subsidiaries
CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (CMAI)	Subsidiaries
CMJ Co., Ltd. (CMJ)	Subsidiaries
National Management Co., Ltd. (National Management)	Subsidiaries
PUJEN Land Development Co., Ltd. (PUJEN Land Development)	Subsidiaries
Pu Sheng Construction Co., Ltd. (Pu Sheng Construction)	Subsidiaries
Shangrila Tourism Co., Ltd. (Shangrila Tourism)	Subsidiaries
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

(Continued)

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Name of Related Party	Relationship with the Company
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
Acore Material Technology Co., Ltd. (Acore Material)	Associates of subsidiaries
CHINGENG Land Development Co., Ltd. (CHINGENG Land Development)	Subsidiaries
PUJEN CHENGMEI Land Development Co., Ltd. (PUJEN CHENGMEI Land Development)	Subsidiaries
PUCHIA Land Development Co., Ltd. (PUCHIA Land Development)	Subsidiaries
Qinxin Trade Co., Ltd. (Qinxin Trade)	Subsidiaries
CMAI Holding, Inc. (CMAI Holding)	Subsidiaries
Pilot Drive, LLC. (Pilot)	Subsidiaries
CMAI INDUSTRIES, INC. (CMAI N.A.)	Subsidiaries
The Splendor Hospitality International Co., Ltd. (The Splendor Hospitality International)	Joint ventures
CMAAN Health Co. Ltd. (CMAAN Health)	Joint ventures
Hua-Pu Development Co., Ltd. (Hua-Pu Development)	Joint ventures of subsidiaries
Keng-Hsin Urban Renewal Co. Ltd. (Keng-Hsin Urban Renewal)	Associates of subsidiaries
Amida Trustlink Assets Management Co., Ltd. (Amida Trustlink Assets)	Associates
ADVANCISION (CAYMAN) Industries CO., LTD. (ADVANCISION (CAYMAN))	Associates of subsidiaries
Fuzhou Aprec Mechanical and Electrical Co., Ltd. (Fuzhou Aprec)	Subsidiaries of subsidiaries' associates
Advancision Corporation (Advancision)	Subsidiaries of subsidiaries' associates
Beyond Fitness Co., Ltd. (Beyond Fitness)	Associates of subsidiaries
Fantasystory Co., Ltd.	Associates of subsidiaries
Mr. Ting Fung, Lin	Key management
Chain-Yuan Investment Co., Ltd. (Chain-Yuan Investment)	Other related parties
San Lien Technology Corp. (San Lien Technology)	Other related parties
Kemitek Industrial Corp. (Kemitek Industrial)	Other related parties
CMP PUJEN Foundation for Arts and Culture (Foundation)	Other related parties
Pu Yuan Construction Co., Ltd. (Pu Yuan Construction)	Other related parties
LEESCO Development Co., Ltd. (LEESCO Development)	Other related parties
Rui Hua Investment Co., Ltd. (Rui Hua Investment)	Other related parties
Mr. Ming Shiann, Ho	Other related parties
Gee Lien Resource Development Corp.	Other related parties

(Continued)

(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	
	2019	2018
Subsidiaries	$ 96,238	116,310
Joint ventures	7	234
Associates	7	-
	$ 96,252	**116,544**

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	
	2019	2018
Subsidiaries	**$ -**	**880**

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

(iii) Receivables due from related parties

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

Accounts	Categories	December 31, 2019	December 31, 2018
Accounts receivable	Subsidiaries	$ 24,467	33,215
Accounts receivable	Joint ventures	-	12
Total		**$ 24,467**	**33,227**
Other receivables	Associates	$ 26	50
Other receivables	Subsidiaries	2,188	1,242
Total		**$ 2,214**	**1,292**

(Continued)

(iv) Payables due to related parties

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

Accounts	Categories	December 31, 2019	December 31, 2018
Other payables	Subsidiaries	$ 6,856	6,769
Other payables	Joint ventures	74	4
Other payables	Other related parties	1,255	-
Total		$ 8,185	6,773
Other notes payable	Other related parties	$ 4	92

(v) Prepayments for equipments

The information on prepayments for equipments is as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	$ 3,585	-

(vi) Guarantees and endorsements

The Company guaranteed and endorsed for subsidiaries' and joint ventures' bank loaning. The ending balance of endorsement guarantee was $2,808,180 thousand and $2,925,000 thousand and the actual borrowing amount was $2,217,680 thousand and $2,251,181 thousand, respectively, as of December 31, 2019 and 2018.

(vii) Non-performing receivables

	Total Claims	
	December 31, 2019	December 31, 2018
Joint ventures	$ 796,845	796,845

	Costs of Claims	
	December 31, 2019	December 31, 2018
Joint ventures	$ 575,000	575,000

(viii) Other transactions

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

	For the Years Ended December 31	
	2019	2018
Subsidiaries	$ 4,347	3,522
Joint ventures	12	48
Other related parties	2,889	2,772
	$ 7,248	**6,342**

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

	For the Years Ended December 31	
	2019	2018
Subsidiaries	$ -	248
Associates	304	304
	$ 304	**552**

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

	For the Years Ended December 31	
	2019	2018
Subsidiaries	$ 9,248	6,721
Joint ventures	5,942	5,545
	$ 15,190	**12,266**

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

	For the Years Ended December 31	
	2019	2018
Subsidiaries	$ 65,218	65,497
Other related parties	600	15,810
	$ 65,818	**81,307**

5) 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	
	2019	2018
Subsidiaries	$ 1,050	418
Associates	5	40
Joint ventures	60	96
Other related parties	81	279
	$ 1,196	833

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

	For the Years Ended December 31	
	2019	2018
Other related parties: Foundation	$ 10,350	-

7) The information on contruction and engineering service for Taichung development project provided by subsidiary is as follow:

	For the Years Ended December 31	
	2019	2018
Other related parties	$ 1,315	-

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

(ix) Lease

The Company rented an office building from its related enterprise to be used as its headquarter. The lease contract was signed, in which the rental fee is determined based on nearby office rental rates. Rental expenses for the year ended December 31, 2018 amounted to $3,522. The outstanding balance as of December 31, 2018 amounted to $3,318 which was recognized under other payables due to related parties. The Company applied IFRS 16, with a date of initial application on January 1, 2019. This lease transaction recognized an additional amounts of $2,900 thousand and $2,912 thousand of right-of-use assets and lease liabilities, respectively. For the year ended December 31, 2019, the Company recognized the amount of $21 thousand as interest expense. As of December 31, 2019, the balance of lease liabilities amounted to $827 thousand.

(d) Key management transactions

The compensation of key management is as follows:

	For the Years Ended December 31	
	2019	2018
Short-term employee benefits	$ 54,542	96,669
Post-employment benefits	3,772	904
	$ 58,314	97,573

(8) Pledged assets

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

Pledged Assets	Object	December 31, 2019	December 31, 2018
Land (including other non-current assets)	The credit limits of long-term and short-term bank borrowings	$ 13,319	13,319
Buildings	〃	3,349	3,479
Investments accounted for using equity method	The credit limits of long-term bank borrowings	2,989,966	2,068,863
Investments properties—Land	〃	2,294,620	-
		$ 5,301,254	2,085,661

(9) Significant commitments and contingencies

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

(i) The unrecognized contractual commitments are as follows:

	December 31, 2019	December 31, 2018
Total contract price	$ 2,621,597	152,654
Total amounts paid under contracts	$ 176,759	53,456

(ii) The security deposits paid by the Company for land development and leased land and buildings for operating use amounted to $97,092 thousand and $97,284 thousand, as of December 31, 2019 and 2018, respectively.

(iii) 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, which was recognized under other non-current assets and transferred to right-of-use assets when the first application of IFRS16 on January1, 2019, and was depreciated by the contract term.

(Continued)

(b) Contingencies

(i) Please refer to Note 7 for the Company's lending and guarantees and endorsements for related parties for the years ended December 31, 2019 and 2018.

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

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

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

(a) The Securities and Futures Investors Protection Center (SFIPC) filed a criminal incidental civil action on behalf of the Company against the former chairman of the Company, Mr. Ming Shiann, Ho. However, the SFIPC was dissatisfied with the High Court's decision on June 26, 2018 and filed an appeal to the Supreme Court, 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. On February 28, 2020, both parties agreed to temporarily suspend the case mentioned above.

(b) The SFIPC filed a lawsuit against the Company, its directors and supervisors, and certain employees of the Group. On March 27, 2019, the Supreme Court vacated the adjudication on February 13, 2018 and remanded it to the Taiwan High Court. 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, wherein the Company appointed lawyers to file for a plea regarding the matter.

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

By function	For the Years Ended December 31					
	2019			2018		
By item	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	117,960	117,677	235,637	129,362	152,070	281,432
Labor and health insurance	10,350	11,293	21,643	9,730	9,493	19,223
Pension	3,152	5,227	8,379	3,500	4,843	8,343
Remuneration of directors	-	32,160	32,160	-	61,589	61,589
Others	6,571	7,797	14,368	6,984	6,180	13,164
Depreciation	66,406	200,140	266,546	62,074	10,797	72,871
Amortization	1,571	2,878	4,449	1,301	2,676	3,977

(Continued)

For the years ended December 31, 2019 and 2018, the average numbers of Company employees were as follows:

	2019	2018
Number of employees	343	343
Number of directors (non-employee)	6	6
Average employee benefit expense	$ 831	956
Average employee salary expense	$ 699	835
Percentage of average employee salary expense	(16.29)%	

(d) Discontinued operation:

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

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

	For the Year Ended December 31 2018
Results from operating activities:	
Revenues	$ 23,496
Costs	(21,878)
Operating expenses	(6,081)
Other income and expenses	28
Operating loss	(4,435)
Non-operating income and expenses	723
Income tax expense	-
Loss	(3,712)
Gain on disposal of non-current assets held for sale	
Gain on disposal of non-current assets held for sale	375,757
Tax expense from disposal of non-current assets held for sale	(11,075)
Profit	$ 360,970
Basic earnings per share	$ 0.94
Diluted earnings per share	$ 0.94
Cash flows from discontinued operation:	
Net cash generated from operating activities	$ 14,189
Net cash generated from investing activities	616,225
Net cash used in financing activities	(146)
Net cash inflow	$ 630,268

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of NTD)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance During the Period	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate	Nature for Financing (Note 2)	Transaction Amount for Business	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 4)
													Item	Value		
1	Tianjin CMT	Suzhou CMB	Accounts receivable due from related parties	Yes	230,000	215,500	215,500	0.75%	2	-	Operation requirements	-		-	332,070	442,760
1	Tianjin CMT	CMW (Tianjin)	Accounts receivable due from related parties	Yes	207,000	193,950	193,950	0.75%	2	-	Operation requirements	-		-	332,070	442,760
2	FAR HSING (SAMOA)	Atrans Precision	Accounts receivable due from related parties	Yes	31,600	29,980	29,980	1.00%	2	-	Operation requirements	-		-	48,960	65,280

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

Note 2: 1. For business transactions.

2. For the necessity of short-term financing.

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of NTD)

No.	Name of Guarantor/ Endorse	Counter-party of Guarantee and Endorsement		Limitation on Amount of Guarantees and Endorsements for a Specific Enterprise (Note 4)	Highest Balance for Guarantees and Endorsements During the Period	Ending Balance (Note 2)	Actual Borrowing Amount	Property Pledged for Guarantees and Endorsements	Ratio of Accumulated Amounts of Guarantees and Endorsements to Net Worth of the Latest Financial Statements	Maximum Amount for Guarantees and Endorsements (Note 5)	Parent Company Endorsements/ Guarantees to Third Parties on Behalf of Subsidiary (Note 3)	Subsidiary Endorsements/ Guarantees to Third Parties on Behalf of Parent Company (Note 3)	Endorsements/ Guarantees to Third Parties on Behalf of Companies in Mainland China (Note 3)
		Name	Relationship with the Company (Note 1)										
0	The Company	Sunflower Investment	1	4,755,678	220,000	110,000	59,500	-	0.93 %	5,944,598	Y	N	N
0	The Company	The Hotel National	1	4,755,678	100,000	100,000	50,000	-	0.84 %	5,944,598	Y	N	N
0	The Company	Shangrila Tourism	1	4,755,678	702,500	652,500	422,500	-	5.49 %	5,944,598	Y	N	N
0	The Company	The Splendor Hospitality	2	4,755,678	2,100,000	1,900,000	1,640,000	-	15.98 %	5,944,598	N	N	N
0	The Company	CMAAN Health	2	4,755,678	95,680	45,680	45,680	-	0.38 %	5,944,598	N	N	N
1	CMAI N.A.	Pilot	4	55,024	59,900	56,829	53,285	-	103.28 %	55,024 (Note 6)	N	N	N
2	CMI	UEA	3	3,914,476	1,975,061	1,504,888	1,504,888	-	15.38 %	4,893,095	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%, CMAI N.A.100%, and CMI 40%.

(Continued)

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

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

Note 6: The amount that CMAI N.A. guaranteed and endorsed for Pilot exceeded the maximum amount. The Group has developed and executed the improvement plan.

(iii) Securities held as of December 31, 2019 (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	135,300	3.12 %	135,300	
The Company	YUHUA Venture Capital Co., Ltd.	-	Non-current financial assets at FVOCI	112,574	830	1.25 %	830	
The Company	FUHUA Venture Capital Co., Ltd.	-	Non-current financial assets at FVOCI	86,625	1,920	1.67 %	1,920	
The Company	GUANGYUAN Investment Co., Ltd.	-	Non-current financial assets at FVOCI	5,000,000	44,080	3.91 %	44,080	
The Company	DEVELOPMENT Venture Capital Co., Ltd.	The Company is the legal person	Non-current financial assets at FVOCI	5,200,000	33,935	4.00 %	33,935	
The Company	Pacific Electric Wire & Cable Co., Ltd.	-	Current financial assets at FVTPL	81,666	-	0.01 %	-	
Sunflower Investment	YungTay Engineering Co., Ltd.	-	Current financial assets at FVTPL	800,000	51,440	0.19 %	51,440	
Sunflower Investment	i1. COM. INC.	-	Non-current financial assets at FVOCI	100,000	-	0.52 %	-	
The Hotel National	Century National Technology Co., Ltd.	-	Non-current financial assets at FVOCI	35,600	-	2.34 %	-	

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

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

(In Thousands of NTD)

Name of Company	Type of Property	Transaction Date	Transaction Amount	Amount Paid	Counter-party	Nature of Relationship	Prior Transaction with Related Party				Price Reference	Purpose of Acquisition and Current Condition	Others
							Owner	Relationship	Transfer Date	Amount			
The Company	21 pieces of land located between No. 235-217 and No. 243-2, Houlongzi Section, West District, Taichung City	September 11, 2019	2,294,620	Fully paid-up	Natural persons	-	-	-	-	-	The appraisal reports and market price	To optimize the use of assets of the Company by expanding its land for future development.	None

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

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

(In Thousands of NTD)

Name of Company	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	Percentage of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
Suzhou CMS	CMI	Subsidiaries	Sale	1,105,831	33.14 %	120~180 days	-	-	1,313,103	66.86%	
CMW (Tianjin)	CMW (C.I.)	Subsidiaries	Sale	1,405,596	34.50 %	120~180 days	-	-	1,519,314	53.77%	

(Continued)

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

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

(In Thousands of NTD/In CNY)

Name of Company	Counter-party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
CMI	CMB (H.K.)	Parent company	Accounts receivable due from related parties, other 208,194	-	-	-	-	-
CMW (C.I.)	CMI	Subsidiaries	Accounts receivable due from related parties, other 2,212,435	-	-	-	CNY 2,800,000	-
CMW (C.I.)	CMW (Tianjin)	Parent company	Accounts receivable due from related parties, other 419,620	-	-	-	-	-
CMP (H.K.)	CMI	Subsidiaries	Accounts receivable due from related parties, other 357,905	-	-	-	-	-
CMW (Tianjin)	CMW (C.I.)	Subsidiaries	Accounts receivable due from related parties 1,519,314	0.92	-	-	CNY 57,411,454	-
Tianjin CMT	CMI	Subsidiaries	Accounts receivable due from related parties 283,036	-	-	-	-	-
Tianjin CMT	CMW (Tianjin)	Affiliates	Accounts receivable due from related parties, other 195,950	-	-	-	-	-
Tianjin CMT	Suzhou CMB	Affiliates	Accounts receivable due from related parties, other 215,500	-	-	-	-	-
Suzhou CMS	CMI	Subsidiaries	Accounts receivable due from related parties 1,313,103	0.81	-	-	CNY 71,869,133	-

(ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (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, 2019			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
The Company	UEA	British Virgin Islands	Investing in CMI	865,286	865,286	667,820	100.00 %	6,773,893	638,526	638,526	Subsidiaries
The Company	Sunflower Investment	Taiwan	Investing	99,000	99,000	67,006,291	99.00 %	867,468	367	363	Subsidiaries
The Company	Atrans Precision	Taiwan	Vehicle parts processing	236,780	236,780	25,149,502	70.47 %	406,647	49,126	34,620	Subsidiaries
The Company	CMJ	Japan	Cast iron product retailing	4,887	4,887	500	83.33 %	64,243	26,890	22,408	Subsidiaries
The Company	CMAI	Hong Kong	Vehicle parts retailing	71,644	71,644	2,820,000	94.00 %	196,500	1,750	1,645	Subsidiaries
The Company	Pu Sheng Construction	Taiwan	Residents, commercial buildings and factories leasing and developing	30	30	3,000	30.00 %	9,983	(488)	(146)	Subsidiaries
The Company	PUJEN Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	2,003,067	2,003,067	158,877,643	56.65 %	3,911,930	(9,226)	(4,852)	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)	(659)	-	Investees accounted for using equity method
The Company	The Hotel National	Taiwan	International tourist hotel services and other hotel business approved by the Ministry of Transportation and Communications	1,304,549	1,304,549	31,200,000	100.00 %	787,160	(42,239)	(44,130)	Subsidiaries
The Company	National Management	Taiwan	Management and consulting services	10,000	10,000	1,000,000	100.00 %	15,769	815	815	Subsidiaries
The Company	The Splendor Hospitality	Taiwan	International tourist hotel services	975,000	975,000	97,500,000	50.00 %	328,832	(28,830)	(27,481)	Joint ventures accounted for using equity method
The Company	Shangrila Tourism	Taiwan	Amusement park and hotel services	359,470	359,470	18,131,840	80.00 %	202,670	(23,427)	(17,552)	Subsidiaries
The Company	CMAAN Health	Taiwan	Management and consulting services	50,000	50,000	5,000,000	50.00 %	46,851	2,368	838	Joint ventures accounted for using equity method
Sunflower Investment	PUJEN Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	280,768	280,768	42,269,213	15.07 %	1,005,425	(9,226)	Exempt from disclosure	Subsidiaries of the Company
Sunflower Investment	Atrans Precision	Taiwan	Vehicle parts processing	77,836	76,878	4,737,380	13.27 %	75,904	49,126	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)	(659)	Exempt from disclosure	Investees accounted for using equity method
Sunflower Investment	ADVANCISION (CAYMAN)	Taiwan	Investing and cast iron product retailing	29,154	29,154	1,871,288	4.46 %	31,333	1,000	Exempt from disclosure	Investee accounted for using equity method
Sunflower investment	Fantasystory	Taiwan	Interior design, landscape design, and urban renewal	19,793	-	1,743	19.80 %	19,593	(1,818)	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	82.55 %	USD 273,842,576	USD 27,088,436	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 1,118,109,192	CNY 89,032,559	Exempt from disclosure	Subsidiaries of CMI

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Name of Investor	Name of Investee	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2019			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Value			
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 1,689,616,085	CNY 94,513,552	Exempt from disclosure	Subsidiaries of CMI
CMI	CMB (H.K.)	Hong Kong	Investing in Suzhou CMB	USD 85,820,000	USD 85,820,000	82,000,000	100 00 %	CNY 585,620,222	CNY 4,988,779	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 1,120,789,818	CNY 89,032,559	Exempt from disclosure	Subsidiaries of CMI(BVI)
CMAI	CMAI Holding	USA	Investing	USD 8,328,644	USD 8,328,644	8,328,644	100 00 %	USD 2,587,571	USD (140,726)	Exempt from disclosure	Subsidiaries of CMAI
CMAI Holding	Pilot	USA	Assets leasing	USD 8,328,644	USD 8,328,644	8,328,644	100 00 %	USD 2,587,571	USD (140,726)	Exempt from disclosure	Subsidiaries of CMAI Holding
Pilot	CMAI N.A.	USA	Vehicle parts retailing	USD 7,792,972	USD 7,792,972	7,792,972	100 00 %	USD 1,835,368	USD (242,735)	Exempt from disclosure	Subsidiaries of Pilot
Atrans Precision	FAR HSING (SAMOA)	SAMOA	Investing	USD 4,922,055	USD 4,922,055	4,922,055	100 00 %	163,201	484	Exempt from disclosure	Subsidiaries of Atrans Precision
Atrans Precision	Acore Material	Taiwan	Mechanical equipment, electronic parts and other equipment manufacturing	31,000	31,000	775,000	21.23 %	-	(10,522)	Exempt from disclosure	Associates of Atrans Precision
FAR HSING (SAMOA)	ADVANCISION (CAYMAN)	Cayman Islands	Investing and cast iron product retailing	USD 4,959,029	USD 4,959,029	9,068,414	21 59 %	USD 4,315,680	USD 33,518	Exempt from disclosure	Investees of FAR HSING (SAMOA) accounted for using equity method
PUJEN Land Development	Pu Sheng Construction	Taiwan	Residents, commercial buildings and factories leasing and developing	20	20	2,000	20 00 %	6,655	(488)	Exempt from disclosure	Subsidiaries of the Company
PUJEN Land Development	Keng-Hsin Urban Renewal	Taiwan	Residents, commercial buildings and factories leasing and developing	250,928	250,928	32,864,188	30 00 %	318,013	(6,812)	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	72,500	82,500	7,250,000	50 00 %	69,490	2	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	PUJEN CHENGMEI Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	59,500	59,500	5,950,000	70 00 %	40,896	(9,408)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	PUCHIA Land Development	Taiwan	Residents, commercial buildings and factories leasing and developing	35,000	35,000	3,500,000	50 00 %	27,902	(253)	Exempt from disclosure	Subsidiaries of PUJEN Land Development
PUJEN Land Development	Shangrila Tourism	Taiwan	Amusement park and hotel services	89,867	89,867	4,532,960	20 00 %	50,667	(23,427)	Exempt from disclosure	Subsidiaries of the Company
PUJEN Land Development	Hua-Pu Development	Taiwan	Residents, commercial buildings and factories leasing and developing	5,000	5,000	500,000	50 00 %	5,130	109	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	3,000	405,000	36.82 %	3,424	2,135	Exempt from disclosure	Investees of PUJEN Land Development accounted for using equity method

(c) Information on investment in mainland China:

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

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

Name of Investee	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	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	899,400 (USD 30,000)	2	388,238	-	-	388,238	(6,958) (CNY (1,557))	82.55%	(5,744) (CNY (1,285))	1,106,900 (CNY 256,821)	82,542
Suzhou CMS	Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling	719,520 (USD 24,000)	2	423,406	-	-	423,406	402,729 (CNY90,096)	82.55%	332,343 (CNY74,350)	3,363,545 (CNY 780,405)	14,601
Suzhou CMB	Cast iron product designing, manufacturing and retailing	2,458,360 (USD 82,000)	2	-	-	-	-	35,979 (CNY8,049)	82.55%	29,701 (CNY 6,644)	2,689,730 (CNY 624,067)	-
CMW (Tianjin)	Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling	959,360 (USD 32,000)	2	-	-	-	-	378,751 (CNY84,732)	82.55%	316,099 (CNY70,716)	4,223,342 (CNY979,894)	-
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	586,559 (USD 19,565)	2	-	-	-	-	(876) (CNY(196))	82.55%	(724) (CNY(162))	584,430 (CNY135,599)	-
Qinxin Trade	Vehicle parts retailing	4,197 (USD 140)	2	-	-	-	-	159 (USD5)	94.00%	150 (USD5)	4,400 (USD 147)	-
Qingdao Sourcing Specialists	Cast iron product retailing	2,998 (USD 100)	2	-	-	-	-	11,697 (JPY41,230)	83.33%	9,747 (JPY 34,357)	31,527 (JPY114,226)	-

(Continued)

(ii) Limitation on investment in Mainland China:

(In Thousands of NTD and USD)

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 4)
811,644	6,254,457 (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 certification documents of the operational scope of the operational headquarters from the Industrial Development Bureau, Ministry of Economic Affairs. The restriction on the cumulative investment amount or proportion in China is not applicable.

Note 5: As of December 31, 2019, the Company had obtained a surplus of $2,213,997 thousand (USD71,955 thousand) from the investment companies set up in the third region. The surplus was remitted to the companies by the subsidiaries which was invested indirectly in China and then was remitted to Taiwan. It was impossible to distinguish the remittance from the company in China.

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

(iii) Significant transactions: None

(14) Segment information:

The segment information please refer to the consolidated financial statement for the year ended December 31, 2019.

CHINA METAL PRODUCTS CO., LTD.

Statement of Cash and Cash Equivalents

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		$ 1,400
Cash in transit		2,473
Cash in banks	Checking accounts deposits	32
	Demand deposits	161,341
	Foreign currency deposits USD9,306 thousand	278,980
	EUR1,404 thousand	47,170
	JPY40,903 thousand	11,289
	CNY321 thousand	1,385
	Foreign currency time deposits USD9,893 thousand	296,592
		$ 800,662

Statement of Inventories

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	$ 4,522	2,796	NRV
Materials	5,399	4,668	〃
Work in process	68,557	68,557	〃
Semi-finished goods	55,016	53,254	〃
Finished goods (including inventories in transit)	50,910	48,868	〃
Merchandise	4,237	4,237	〃
Less: Allowance for inventory write-down	(6,261)	-	
Total	**$ 182,380**	**182,380**	

CHINA METAL PRODUCTS CO., LTD.

Statement of Changes in Investments Accounted for Using the Equity Method

December 31, 2019

(In Thousands of New Taiwan Dollars)

Name of Investee	Beginning Balance		Addition		Deduction		Share of Profit (Loss) of Investments Accounted for Using Equity Method	Exchange Difference on Translation of Foreign Financial Statements	Changes in Equity of Investments Accounted for Using Equity Method	Share of Other Comprehensive Income of Subsidiaries, Associates and Joint Ventures	Unrealized Gains (Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income	Ending Balance			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount						Shares	Percentage of Ownership	Amount	Unit price	Total amount	
Long-term investments																	
Accounted for using equity method:																	
United Elite Agents Limited (Note 1)	667,820	$ 6,642,833	-	-	-	239,616	638,526	(267,348)	(502)	-	-	667,820	100.00	6,773,893	10,111.97	6,752,978	None
Sunflower Investment Co., Ltd. (Note 1)	67,006,291	961,699	-	-	-	87,108	363	(2,034)	(5,193)	(259)	-	67,006,291	99.00	867,468	12.95	867,468	"
Atrans Precision Industries Co., Ltd.	25,149,502	377,287	-	-	-	-	34,620	(4,305)	68	(1,023)	-	25,149,502	70.47	406,647	16.03	403,092	"
CMJ Co., Ltd. (Note 1)	500	51,501	-	-	-	8,120	22,408	(1,546)	-	-	-	500	83.33	64,243	128,486.37	64,243	"
Amida Trustlink Assets Management Co., Ltd.	16,763,726	(21,760)	-	-	-	-	-	-	-	-	-	16,763,726	35.21	(21,760)	0.64	10,724	"
CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (Note 1)	2,820,000	208,407	-	-	-	8,768	1,645	(4,807)	23	-	-	2,820,000	94.00	196,500	69.68	196,500	"
Pu Sheng Construction Co., Ltd. (Note 1)	3,000	47,496	-	-	-	37,367	(146)	-	-	-	-	3,000	30.00	9,983	3,327.26	9,982	"
PUJEN Land Development Co.,Ltd. (Note 1)	158,877,643	4,314,685	-	-	-	397,194	(4,852)	-	(429)	(280)	-	158,877,643	56.65	3,911,930	23.80	3,781,257	Note3
The Hotel National Co., Ltd.	31,200,000	831,434	-	-	-	-	(44,130)	-	61	(205)	-	31,200,000	100.00	787,160	(4.24)	(132,181)	None4
The Splendor Hospitality International Co., Ltd. (Note 2)	97,500,000	354,827	-	1,486	-	-	(27,481)	-	-	-	-	97,500,000	50.00	328,832	2.92	284,929	None
National Management Co., Ltd. (Note 1)	1,000,000	16,995	-	-	-	2,000	815	-	(41)	-	-	1,000,000	100.00	15,769	15.77	15,769	"
Shangrila Tourism Co., Ltd.	18,131,840	220,113	-	-	-	-	(17,552)	-	(1)	110	-	18,131,840	80.00	202,670	1.38	24,953	"
CMAAN Health Co., Ltd. (Note 2)	5,000,000	45,290	-	723	-	-	838	-	-	-	-	5,000,000	50.00	46,851	9.37	46,851	"
Total		$ 14,050,807		2,209		780,173	605,054	(280,040)	(6,014)	(1,657)	-			13,590,186			

Note 1: The decreasing amounts of this period are the cash dividend amounted to $780,173.

Note 2: The increasing amount of this period is the additional guarantee provision amounted to $2,209 thousand.

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

Note 4: 31,200,000 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, 2019

(In Thousands of New Taiwan Dollars)

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

Statement of Short-term Borrowings

December 31, 2019

Loan Type	Lender	Amount	Financing Period	Interest Rates	Credit Line	Mortgage Guarantee	Note
Unsecured	Shin Kong Dunnan Branch	$ 150,000	2019.12.04~2020.01.06	1.18%	-	-	
Unsecured	The Export-Import Bank of the Republic of China	150,000	2019.01.22~2020.03.20	0.92%	-	-	
Unsecured	Taipei Fubon	100,000	2019.12.24~2020.06.19	1.09%	-	-	
		$ 400,000					

Statement of Short-term Bills Payable

Item	Guarantee or Acceptance Institution	Financing Period	Interest Rates	Amount			Note
				Total Amount	Unamortized Discount	Carrying Amount	
Short-term Bills Payable	Mega Bills	2020.02.05	1.118%	**$ 100,000**	**(107)**	**99,893**	

CHINA METAL PRODUCTS CO., LTD.

Statement of Long-term Borrowings

December 31, 2019

(In Thousands of New Taiwan Dollars)

Creditor	Description	Financing Period	Interest Rates	Amount Due within one year	Amount Due over one year	Collateral
Shin Kong Bank	Secured Borrowings	2019.09.02~2022.09.02	1.18%	-	300,000	Note 1
Bank SinoPac	Secured Borrowings	2019.05.31~2022.07.31	1.00%	-	1,300,000	Notes 2 and 3
CTBC Bank	Secured Borrowings	2019.02.28~2021.02.28	1.28%	-	500,000	Note 1
Mega Bank	Secured Borrowings	2019.08.17~2021.08.16	1.25%	-	250,000	Note 2
Mega Bank	Secured Borrowings	2019.08.17~2021.08.16	1.20%	-	200,000	Note 2
O-Bank Co., Ltd.	Unsecured Borrowings	2019.06.05~2021.06.04	1.37%	-	200,000	-
En Tie Commercial Bank	Unsecured Borrowings	2019.12.18~2021.12.18	1.25%	-	300,000	-
Jih Sun Bank	Unsecured Borrowings	2019.12.02~2021.12.01	1.25%	-	199,000	-
Cathay United Bank	Unsecured Borrowings	2019.12.25~2022.01.21	1.20%	-	100,000	-
Bank of Taiwan	Unsecured Borrowings	2019.12.10~2021.12.10	1.25%	-	100,000	-
KGI Bank	Unsecured Borrowings	2019.12.06~2021.12.06	1.25%	-	250,000	-
Land Bank of Taiwan	Unsecured Borrowings	2019.01.10~2021.01.10	1.25%	-	150,000	-
Yuanta Bank	Unsecured Borrowings	2019.10.25~2021.10.25	1.28%	-	150,000	-
Taishin International Bank	Unsecured Borrowings	2019.12.20~2021.12.31	1.18%	-	300,000	-
Bank of Panhsin	Unsecured Borrowings	2019.12.20~2021.12.20	1.30%	-	50,000	-
Bank of East Aisa	Unsecured Borrowings	2019.12.20~2021.12.20	1.29%	-	200,000	-
Bank SinoPac	Land Loan	2019.12.04~2022.12.04	1.70%	-	1,606,234	Note 4
Bank SinoPac	Syndicated Loan	2019.10.15~2024.10.15	2.00%	-	9,000	Note 1
Less: Issuance Cost				-	(39)	
				$ -	6,164,195	

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 and buildings in Taichung.

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Revenue

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Amount
Manufacturing:	
Cast iron products	$ 845,386
Department Store:	
Rental revenue	42,521
Counter commissions	269,599
Subtotal	312,120
Other operating revenue	34,184
Net operating revenue	**$ 1,191,690**

Note: The above amount had been deducted the allowance of sales return and discount amounted to $34,132 thousand.

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Costs

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Amount
Raw Material	
Balance on January 1	$ 8,507
Add: Purchases	171,126
Gain on physical inventory count of raw material	2,407
Less: Balance on December 31	(4,522)
Transfer to expenses	(166)
Raw material used in this period	177,352
Material	
Balance on January 1	6,920
Add: Purchases	117,383
Less: Balance on December 31	(5,399)
Transfer to expenses	(44,724)
Loss on physical inventory count of material	(339)
Disposal of material	(223)
Material used in this period	73,618
Direct labor	74,167
Manufacturing overhead	383,903
Manufacturing costs	709,040
Add: Balance of work in process on January 1	34,131
Less: Balance of work in process on December 31	(68,557)
Add: Balance of semi-finished goods on January 1	29,025
Purchases	30,708
Less: Loss on physical inventory count	(32)
Balance of semi-finished goods on December 31	(55,016)
Transfer to expenses	(6,047)
Cost of finished goods	673,252
Add: Balance of finished goods on January 1	32,761
Purchases	(6)
Less: Loss on physical inventory count of finished goods	(405)
Balance of finished goods on December 31	(50,910)
Transfer to expenses	(1,849)
Cost of goods sold—Finished goods	652,843
Balance of merchandise on January 1	7,936
Add: Purchases	6,087
Less: Balance of merchandise on December 31	(4,237)
Transfer to expenses	(1,007)
Transfer to fixed assets	(345)
Cost of goods sold—Merchandise	8,434
Add: Raw material and mold cost	10,441
Disposal loss and others	2,770
Less: Loss from inventory write-down and gain from reversal of write-down	(3,741)
Gain on physical inventory count	(1,631)
Income from sale of scraps and others	(1,697)
Operating costs	$ **667,419**

CHINA METAL PRODUCTS CO., LTD.

Statement of Operating Expenses

For the Year Ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses	Research and Development Expenses
Salary expense	$ 7,602	142,235	-
Freight charges	7,227	39	-
Export expense	8,526	-	-
Administrating expense	-	100,277	-
Depreciation	349	199,791	-
Other (Each of the items was less than 5% of the total account balance)	4,595	107,166	75
	$ 28,299	**549,508**	**75**