



CHINA METAL  
PRODUCTS CO., LTD.



| Taiwan Stock Exchange Market Observation Post System: <https://mops.twse.com.tw>  
| Company Website : <http://www.cmp.com.tw>  
| Printed on April 27, 2021

| Notice to readers : This English-version annual report is a translation of the Chinese version.  
If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

I. CMP Spokesperson and Acting Spokesperson

**Spokesperson:**

Name: LIN, Ching Yi

Position: Special Assistant to the Chairman

Tel. No.: (02) 2711-2831

E-mail: glen@cmp.com.tw

**Acting Spokesperson**

Name: MAI, Sheng Wei

Position: Executive Vice President and Chief of Corporate Governance

Tel. No.: (02) 2711-2831

E-mail: mike.mai@cmp.com.tw

II. The address and telephone number of the company's headquarters, branch offices, and factories:

| Name            | Address                                                                        | Telephone     |
|-----------------|--------------------------------------------------------------------------------|---------------|
| CMP             | 4F., No. 85, Sec. 4, Ren' ai Rd., Da'an District, Taipei City, Taiwan (R.O.C.) | (02)2711-2831 |
| CMP-Taichung    | B2 to 3F, No. 68, Gongyi Road, West District, Taichung City, Taiwan (R.O.C.)   | (04)2328-1000 |
| Hsinchu Factory | No. 488, Shangkung Village, Xinfeng Township, Hsinchu County, Taiwan (R.O.C.)  | (03)559-1126  |

III. Share Transfer Agency:

Name: KGI Securities Co., Ltd.

Address: 5F, No. 2, Sec. 1, Chongqing S. Rd., Taipei City, Taiwan (R.O.C.)

Tel. No.: (02) 2389-2999 (Representative No.)

Website: <https://www.kgiworld.com.tw>

IV. Certified Public Accountant ("CPA") for the Financial Reports of the Most Recent Year:

The name of the certified public accountant : TSENG, Kuo-Yang, CPA, & CHIH, Shih-Chin, CPA

Name of Accounting Firm: KPMG Taiwan

Address: 68F, No. 7, Sec. 5, Xinyi Road, Taipei City, Taiwan (R.O.C.)

Tel: (02) 8101-6666

Website: <http://www.kpmg.com.tw>

V. Offshore Trading Places for Listed Securities and Data Inquiry Methods of Such Offshore Securities: None.

VI. Company website: <http://www.cmp.com.tw>

# **China Metal Products Co., Ltd. ("CMP")**

## **2020 Annual Report**

### **Table of Contents**

|                                                                                                                                                                                              |     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Chapter 1 Letter to Shareholders                                                                                                                                                             | 3   |
| Chapter 2 Company Profile                                                                                                                                                                    | 12  |
| I. Date of Incorporation                                                                                                                                                                     | 12  |
| II. Company History                                                                                                                                                                          | 12  |
| Chapter 3 Corporate Governance Report                                                                                                                                                        | 17  |
| I. Report of Corporate Governance                                                                                                                                                            | 17  |
| II. Information on Company Officers (Directors, President, VPs, AVPs and Heads of Divisions and Branch Offices)                                                                              | 23  |
| III. Remuneration Paid to Directors and Company Executives during the Most Recent Year                                                                                                       | 33  |
| IV. Implementation of Corporate Governance                                                                                                                                                   | 40  |
| V. Information on CPA Professional Fees                                                                                                                                                      | 130 |
| VI. Information on Replacement of CPAs                                                                                                                                                       | 131 |
| VII. The Company's Chairman, President, or Managers in Charge of Finance or Accounting Matters have Held a Position at the CPAs Firm or at an Affiliate of Such Firm in the Most Recent Year | 131 |
| VIII. Net Change in Shareholdings and in Shares Pledged by Directors, Managers, and Shareholders Holding More Than a 10% Share in the Company                                                | 131 |
| IX. Information on Relationships Among the Top Ten Shareholders                                                                                                                              | 133 |
| X. Information on the Number of Shares Held by the Company, Directors, Managers, and Companies Directly or Indirectly Controlled by the Company                                              | 137 |
| Chapter 4 Capital Overview                                                                                                                                                                   | 138 |
| I. Capital and Shares                                                                                                                                                                        | 138 |
| II. Corporate Bonds                                                                                                                                                                          | 147 |
| III. Status of Preferred Shares                                                                                                                                                              | 148 |
| IV. Status of Global Depositary Receipts                                                                                                                                                     | 148 |
| V. Status of Employee Stock Options                                                                                                                                                          | 148 |
| VI. Status of New Restricted Employee Stocks                                                                                                                                                 | 148 |
| VII. Status of Mergers and Acquisitions                                                                                                                                                      | 148 |
| VIII. Status of Financing Plans and Implementation                                                                                                                                           | 148 |
| Chapter 5 Operating Overview                                                                                                                                                                 | 149 |
| I. Business Activities                                                                                                                                                                       | 149 |
| II. Market, Production and Sales Overview                                                                                                                                                    | 156 |
| III. Staff Statistics                                                                                                                                                                        | 164 |
| IV. Environmental Protection                                                                                                                                                                 | 164 |

|           |                                                                                                                                                                                                                                                                                                                               |     |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| V.        | Employment Relations Management                                                                                                                                                                                                                                                                                               | 165 |
| VI.       | Material Contracts                                                                                                                                                                                                                                                                                                            | 172 |
| Chapter 6 | Financial Highlights                                                                                                                                                                                                                                                                                                          | 173 |
| I.        | Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years                                                                                                                                                                                                                                | 173 |
| II.       | Most Recent 5-Year Financial Analysis                                                                                                                                                                                                                                                                                         | 178 |
| III.      | Audit Committee's Review Report                                                                                                                                                                                                                                                                                               | 186 |
| IV.       | The CPA-audited Consolidated Financial Statements and Notes Disclosures for the Most Recent Financial Period                                                                                                                                                                                                                  | 187 |
| V.        | The CPA-audited Parent Company Only Financial Statements and Notes Disclosures for the Most Recent Financial Period                                                                                                                                                                                                           | 187 |
| VI.       | If the Company or its Affiliates Experienced Financial Difficulties in the Most Recent Year, up to the Date of the Annual Report Publication, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation                                                                             | 187 |
| Chapter 7 | Review and Analysis of the Financial Position, Financial Performance, and Risk Analysis                                                                                                                                                                                                                                       | 188 |
| I.        | Financial Position                                                                                                                                                                                                                                                                                                            | 188 |
| II.       | Financial Performance                                                                                                                                                                                                                                                                                                         | 189 |
| III.      | Cash flow                                                                                                                                                                                                                                                                                                                     | 190 |
| IV.       | Impact of Major Capital Expenditure on Finance and Operations                                                                                                                                                                                                                                                                 | 191 |
| V.        | Investment Policy of the Most Recent Year, Main Reasons for Income or Loss, Remedial Actions and Investment Plans for the Next 12 Months                                                                                                                                                                                      | 191 |
| VI.       | Risk Management                                                                                                                                                                                                                                                                                                               | 193 |
| VII.      | Other Important Matters                                                                                                                                                                                                                                                                                                       | 199 |
| Chapter 8 | Special Items                                                                                                                                                                                                                                                                                                                 | 201 |
| I.        | Information on Affiliated Companies                                                                                                                                                                                                                                                                                           | 201 |
| II.       | Private Placement of Company's Common Shares during the Most Recent Year and up to the Date of Annual Report Publication                                                                                                                                                                                                      | 217 |
| III.      | Status of Company Common Shares Held or Disposed by Subsidiaries during the Most Recent Year and up to the Date of Annual Report Publication                                                                                                                                                                                  | 217 |
| IV.       | Other Supplementary Information                                                                                                                                                                                                                                                                                               | 217 |
| Chapter 9 | Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report | 217 |

## Chapter 1 Letter to Shareholders

Dear shareholders:

### I. 2020 Annual Operating Report

#### (I) Results of Operation

CMP Group consists of three primary businesses: Metal Manufacturing, Real Estate Development, and Lifestyle Hospitality. In 2020, CMP Group's operating results were as follows: the consolidated operating revenues was approximately NTD 13.1 billion, the consolidated net operating income was approximately NTD 1.3 billion, and the net consolidated profit was approximately NTD 0.8 billion. CMP Group's assets were approximately NTD 44.8 billion in total.

#### (II) Status of Budget Implementation: Not Applicable

#### (III) Financial Revenue and Profitability Analysis

Unit: NTD `000

| Items                                |                                                          | 2020    | 2019    |
|--------------------------------------|----------------------------------------------------------|---------|---------|
| Financial<br>Income &<br>Expenditure | Interest Revenue                                         | 45,512  | 57,615  |
|                                      | Interest Expense                                         | 274,739 | 269,236 |
|                                      | Net Foreign Exchange Gains<br>(Losses)                   | -54,106 | 5,738   |
| Profitability                        | Return on Assets (%)                                     | 2.31    | 2.17    |
|                                      | Return on Equity (%)                                     | 4.99    | 4.05    |
|                                      | Ratio of Income to Paid-in<br>Capital (%)                | 34.50   | 26.85   |
|                                      | Ratio of Net Profit Before<br>Tax to Paid-in Capital (%) | 25.72   | 23.05   |
|                                      | Net Ratio (%)                                            | 6.03    | 4.81    |
|                                      | Earnings Per Share (NTD)                                 | 1.47    | 1.32    |

#### (IV) Status of Primary Operations, Research and Developments

##### Metal Manufacturing Segment

##### Metal Manufacturing Division— CMP Hsinchu Plant:

In 2020, Hsinchu Plant was affected by the COVID-19 pandemic, and the export decline and the effect of customer order transfer led to decline in the sales of vehicle parts and engine products; however, due to the COVID-19 pandemic, the demand for stay-at-home economy increased sharply, and the proportion of domestic sports flywheel products increased significantly. And the market share increased from 20% to 40%. In addition, benefiting from the return benefits of Taiwanese businessmen, customers of woodworking machines increased their purchases from suppliers in Taiwan, and the shipment volume of woodworking machines increased by about 40% annually.

Looking forward to 2021, the Factory focuses on the development of four target industries: 1. Agricultural machinery; 2. Engine; 3. Woodworking machine; 4. Sports equipment. The Factory will continue to increase the shipment of sports equipment and woodworking machines, improve the utilization rate of production capacity, and increase the development of new products such as agricultural machinery and engines to maintain the profitability ratio. Working along both lines, it is expected to achieve the budget target.

#### **China Metal International Holdings Inc. (CMI):**

Since January 2020, a century's pandemic turmoil has severely damaged the global economy and living order. The pandemic has not eased up to now. CMI is no exception. In the first half of 2020, both its revenue and its net operating interest rate declined due to the shortening of business days. In the first half of the year, despite of the serious impact from external environment, the company grasped the opportunity from the crisis and devoted more attention to the optimization of technology and process. As a result, remarkable progress in production technology and efficiency has been made. Since the third quarter, with the recovery of China's economy and the improvement of international auto market and infrastructure demand, the company's revenue and operating net profit rate obviously have rebounded in the second half of the year. Although the company's annual revenue declined compared with that in 2019, its net operating profit rate in 2020 remained the same as that in 2019, with the management team continuously improving technology to effectively reduce production costs; CMI factories have also made continuous improvement in terms of environmental protection and circular economy, leading the government's green indicators. In addition, the factories continuously improved the working environment, and made contribution to social environmental protection, winning various government affirmations in sustainability and environmental protection. The key points are as follows:

1. Tianjin CMW was awarded the Green Supply Chain Management Enterprise of the Ministry of Industry and Information Technology and the China Green Foundry Enterprise of China Foundry Association. The Tianjin Environmental Protection Bureau also granted an exemption to stop production; Suzhou CMB has won the honor of Suzhou Environmental Trust Enterprise, Jiangsu Environmental Rating Green Enterprise and Suzhou Environmental Demonstration Enterprise. Suzhou CMS won the China Green Foundry Enterprise of China Foundry Association.
2. Suzhou CMS and Suzhou CMB are pilot enterprises with professional skill level certification. In addition, the construction of the new factory of CMH (Wuhan) was officially started in October, 2019. For the phase I of the new factory, it is expected to complete two molding lines. The construction progress was slightly delayed due to the impact of the COVID-19 pandemic, but the initial production products and the recruitment and training of the relevant personnel of the new factory are in progress smoothly.

**Atrans Precision Industries Co., Ltd. (Atrans Precision):**

In the first half of 2020, affected by the COVID-19 pandemic, the overall supply and demand tended to be conservative, and the performance in the first half was not as expected, which made the annual revenue, operating gross profit and operating net profit decrease compared with last year. However, with the continuous promotion of internal improvement and gradual adjustment of customer items in recent years, and the increase of customer orders from month to month in the second half of the year, the operating efficiency has been significantly improved, and the net profit and loss of single-month operation at the end of the year has been in a profitable state.

In 2020, Atrans Precision continued to promote various physical optimization. In addition to replacing old equipment with new ones and completing the first stage of MES system construction, we continued to optimize PLM, MES and other systems in line with the Group's policies, and evaluated the introduction of BPM, SPC and IOT systems. Atrans Precision will gradually improve the strength of software and hardware in a phased plan to complete the transformation and upgrading plan.

Looking forward to 2021, due to the significant changes in industrial supply and demand caused by the COVID-19 pandemic, Atrans Precision will continue to strengthen its own capabilities and develop new products and customers with high added value to reduce the above adverse effects and contribute profits to the Group.

**CMJ CO., LTD. (CMJ):**

For further globalization, the company in 2020 changed its name "CHINA METAL JAPAN CO., LTD" used for 20 years to "CMJ CO., LTD." In 2020, Qingdao Qinhe (SST), a subsidiary, obtained growth more than expected in the business of selling camshaft components, reaching more than 90% of the sales and profit targets. It achieved remarkable performance under the influence of COVID-19 pandemic.

Looking forward to 2021, if the COVID-19 pandemic is controlled and improved in the second half of the year, the economies of Japan and the United States will recover. With the continuous appreciation of the Japanese yen and the sustained and steady growth of China's economy, CMJ will continue to develop new business and human resources in the first half of 2021, and is expected to achieve performance growth after economic recovery in the second half of the year.

**China Metal Automotive International Co., Ltd. (CMAI):**

Due to the outbreak of the COVID-19 pandemic and the ongoing trade war between the United States and China, the revenue in 2020 declined compared with that in 2019. Since the start of the organizational streamlining plan at the beginning of the year, certain achievements have been made in terms of personnel streamlining, processes rationalizing and operational efficiency improvement,

greatly reducing operating costs; in addition, the newly started logistics project improves the gross profit. As a result, the annual net profit is still the same as that in 2019.

Looking forward to 2021, although the United States will be governed by Biden, the Democratic Party President, the situation of confrontation between the United States and China will probably not change in a short time. Coupled with the COVID-19 pandemic and other factors, the economic recovery is limited, and the year of 2021 will still be a tough year. In terms of operation, under the policy of maintaining core competitiveness, the company will continue to seek the possibility of cost reduction; in terms of business, it will cooperate with the Group to develop new projects such as auto transmission parts (including EV), agricultural machinery products and hydraulic parts, and take the lead in the early stage. It is expected to achieve the mass production from 2022 to 2023 to contribute to the Group's revenue and profit.

### **Real Estate Development Segment**

#### **PUJEN Land Development Co., Ltd. (PUJEN):**

In 2020, the world experienced a plague year once in a hundred years, and the global economy was severely impacted by factors such as lockdowns, disrupted supply chains and border control. Governments of various countries had to launch various huge emergency relief programs and unprecedented loose monetary policies, trying to slow down the serious damage caused by the pandemic to the economy. Consequently, there was a "K-shaped recovery" in financial markets and real economies of various countries. However, because of the proper prevention of pandemic and the trade war between the United States and China, capital of the Taiwanese businessmen flows back, and Taiwan seems to be a safe haven. Hot money, like a bulldozer, drives the stocks in Taiwan and NTD to new heights.

In response to the pandemic situation, PUJEN Construction also put forward the overall strategy adjustment, which not only strengthened the pandemic prevention work, but also strengthened the financial physique and professional ability, so as to keep the development, sales and project progress unaffected by the pandemic situation. Progress has been made in the review of urban renewal projects such as Qingcheng St Project, Zhongshan Project 2, Xindian Project, Roosevelt Rd Project, Taiyuan B, and Xinyi Guangfu. The urban renewal review of Wenlin Zhongzheng Project and Wenlin N Rd Project have also been successfully completed. For the Nangang Headquarters Project, the company has stood out from more than ten competitors to obtain the right to develop; in engineering, there are five projects under construction according to the scheduled schedule; in terms of business, grasping the prosperity of real estate in the second half of the year, "CMP Midtown" Project and "CMPJ Residence de l'aqua" Project achieved good sales results. The company kept a close eye on market changes from time to time, and vigorously launched "Park Mansion" Project, "Beautiful Harmony" Project and "PUJEN Ronghua" Project, all of which achieved sales targets in a short time.



## **Lifestyle Hospitality Segment**

### **Park Lane by CMP:**

In 2020, due to the impact of the COVID-19 pandemic, measures such as pandemic prevention, body temperature measurement, increasing the disinfection frequency of shopping malls and actively providing masks for consumers were taken to create a safe and safe shopping environment for consumers. To ensure the product variety of shopping malls, TTFB "SHANN RICE BAR" and "Matsumotokiyoshi" were introduced in January and April respectively. Through the efforts of all colleagues, the annual operating targets and profit and loss targets of 2020 have been achieved.

In December 2020, the Company signed a contract with Taichung Municipal Government to entrust the operation and management of "Calligraphy Square". In coordination with the existing operations of the surrounding groups of Calligraphy Greenway, the Company made overall planning to create a green landmark in the urban green belt.

### **The Hotel National Co., Ltd. (The Hotel National):**

In 2020, under the influence of the COVID-19 pandemic, the company's financial statements in the first half of the year were in the red. However, in the second half of the year, with the stable control of the pandemic situation in Taiwan and the active adjustment of the company's operating structure, and through the joint efforts of all employees, the annual revenue of the company declined compared with last year, but the loss decreased compared with last year.

### **Shangrila Tourism Co., Ltd. (Shangrila):**

In 2020, the COVID-19 pandemic, border control and avoidance of clustering led to the upsurge of domestic outdoor tourism. Shangri-La Team quickly grasped the trend and responded immediately to the pandemic, adjusted and strengthened the content of experience activities, and added safety and pandemic prevention measures. In this way, it over fulfilled the overall annual revenue target, and received a number of government subsidies, including pandemic subsidies and quality subsidies from the Tourism Bureau.

At the most severe time of COVID-19 pandemic, CMP Village signed annual strategic cooperation with famous domestic travel agencies for the first time, and launched "Top Ten Secure Tourism Initiatives" to redefine and shape the "New Tourism Era" under the pandemic. As an outdoor tourism cultural experience brand attaching great importance to environmental sustainability and local ecological education, CMP Village invited all major media reporters in Taiwan to experience on the site, which not only gained advertising benefits and increased exposure, but also achieved the largest single-day transaction volume in history.

It also continued to promote brand cooperation. The Forest BIG worked hand in hand with famous international hotels and overseas wedding dress modeling teams to create an atypical innovative wedding service themed on micro-forest nature. Through the unique secret scene and situational experience, wedding photography and banquet were combined with the hierarchical concept of artistic aesthetics, which won the first place in ISPWP 109 Photo Contest of International Wedding Dress Association.

## **II. Business plan for 2021**

### **(I) Operating and Important Production and Sales Strategies for 2021**

#### **Metal Manufacturing Segment**

With the goal of realizing a sustainable operation and creating a green precision casting industry, CMP Group will internally increase management and technical skills, to ensure product quality and production efficiency, while externally monitoring market development trends. The main strategies for the future are as follows: 1) introduce smart manufacturing to enhance production capacity; 2) strengthen relationships with CMP Group's long-term stable customers, to grow together with customers; 3) streamline organization and costs, while increasing utilization of capacity and production yield; 4) carefully select high-quality projects that will benefit and improve CMP Group's processing capacity as investment targets to increase CMP Group's overall added value; 5) develop new markets, and products & businesses with high added value; 6) seek new cooperation opportunities in new material business; and 7) reduce the overall operating carbon emissions.

In 2021, apart from the different development strategies of the individual CMP Group units, the COVID-19 pandemic coronavirus outbreak is anticipated to affect industry supply and demand as a whole. In addition to cooperating with the government's pandemic prevention measures, CMP Group will implement localized short-chain procurement and decentralized supplier procurement and assist existing customers in making responsive preparations according to customer needs, in an attempt to reduce the adverse effects of the pandemic.

#### **Real Estate Development Segment**

Looking forward to 2021, the vaccine will gradually ease the pandemic situation. The fighting between China and the United States will take a break, and the overall economy will rebound. Many research institutions have estimated that the GDP growth target of Taiwan in 2021 will be above 3%. According to the plan, the Company will launch two pre-sale projects, namely, "Xinyi Boai Project" and "Zhongshan 2 Project", and there will be seven projects under construction. In terms of engineering, we uphold the principle of safety first and quality first, and make every effort to create the most comfortable home for our customers. In terms of development, we will continue to work hard to increase two to three new projects every year, except for the projects at hand.

Although there are still many variables and tests in 2021, based on years of hard work and basic operation of PUJEN, it is expected to achieve good results in all aspects of business, development and engineering. In practices, we will take a firmer step forward and complete the construction of "property Management Company," company database re-integration", "customer sales control system" and "BIM" under the three principles of "stable operation", "operation transformation" and "excellent operation".

### **Lifestyle Hospitality Segment**

#### **Park Lane by CMP:**

Looking forward to 2021, in pursuit of sustainable operation and profitable growth, Park Lane by CMP will undergo a large-scale renovation on the first floor in May and launch the block APP system. It is expected that Calligraphy Square will officially open in November. It integrates the living concept of Park Lane by Splendor shopping mall, deeply cultivates the surrounding blocks of Calligraphy Greenway, and shapes the life style of the whole age through a unique and comfortable environment, so as to enhance the richness of shopping malls and the competitiveness of Calligraphy Greenway life circle.

#### **The Hotel National Co., Ltd. (The Hotel National):**

Looking forward to 2021, the hotel will continue to pay attention to the pandemic trend, constantly take relevant pandemic prevention measures and implement consistent adjustment of guest rooms and catering operations, with a view to increasing revenue by price strategy and theme activities, so as to not only achieve the profit budget target, but also exceed the target.

#### **Shangrila Tourism Co., Ltd. (Shangrila):**

Looking forward to 2021, the annual overall goal will be focused on three primary tasks, namely value improvement, cost control and quality stabilization. As for the sub-goals, value improvement is to create market value through cooperation between different industries and high-end brands to continuously consolidate brand status; in terms of cost control, the strategic financial control mechanism will be strengthened, and a quantifiable operation management system will be established while maintaining stable quality, including improving service quality and operational efficiency of business manpower organization, and responding to the long-term development layout of the company in the next 2-5 years.

### **III. Future Company Development Strategy, and Impact of External Competition and the Influence of Regulatory and Overall Business Environment**

#### **(I) Future Development Strategies**

CMP continues to develop toward being a holding company across industries. With core values of Diligence, Integrity, Truth, Beauty, Kindness, and Sincerity, the Group will continue to work toward the primary goal of sustainable operations. CMP commits to improving corporate governance, and uplifting all units' effective implementation of environmental safety and sanitation standards to meet or exceed the legal and regulatory requirements, with the goal of taking a lead in all aspects. In recent years, changes such as substitution of raw materials, process optimization, reuse, and automation have led to a circular economy. CMP Group will continue moving toward the goals of carrying out green production, working hard for the circular economy, and creating a sustainable green casting industry. From the perspective of industrial operations, internal measures will be taken to create maximum benefits for the Group and shareholders, such as integrating group resources; introducing smart machinery; enhancing research, processing and assembly capacities; enriching product categories; and improving the overall efficiency of production capacity; simultaneously, external measures, including promoting integration of upstream, downstream and horizontal industries, will be taken to increase the overall added value and competitiveness of CMP Group. From the perspective of stakeholders, CMP Group will continue to strengthen corporate social responsibility. Internally, based on the philosophy of Learning and Sharing, the Group will work hard to cultivate talent while enhancing care for and welfare of our employees. Externally, with the goal of Community Co-Prosperity, the Group will work together with our neighbors; and by placing creative installations in the neighborhoods, the Group will help create spaces where ingenuity can concentrate and spread, helping to form a unique cultural landscape. Starting from the most basic element of a happy life -- housing -- CMP Group extends the path of Taiwan's social development, and leads the way toward international trends. The Group does this through strict & selection supervision of partners; rigorous inspection of building structures; follow-up building health and safety inspection services; to the application of green buildings, smart buildings, and mature residential buildings. CMP Group continues to follow the development trend toward low-carbon cities, and commits to coexisting with the environment, co-prospering with our communities, and resonating with aesthetics. All of this is done with the goal of pursuing people-oriented diversified operations and building a sustainable green enterprise.

**(II) Impact of External Competition and Regulatory and Overall Business Environment**

While the CMP Group has been affected by the changing global political business environment and the exchange rate risks during these past few years, CMP Group was still able to reduce business risks through the diversification and integration of group resources. Attributing to the continuous efforts of our colleagues, the CMP Group has developed considerable mastery and advantages in the fields of metal materials, real estate developments, tourism as well as culture.

In the future, CMP Group will work harder as always and adhere to our core values of diligence and integrity, to achieve the goal of growing into a sustainable business.

Thank you once again for the support and encouragement you have given to CMP Group.

**Best Regards,**

**We wish you all good fortune and health.**

**Chairman**

**LIN, Ting Fung**

## Chapter 2 Company Profile

### I. Date of Incorporation: September 9, 1972

### II. Company History

#### 1. The CMP Development Categorized in Five Stages

##### Phase I: Early Stage

|         |                             |                                                                                               |                                                              |
|---------|-----------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 1972/09 | Established CMP             | Capital funding: NTD 1 million                                                                | ➤ Consumer cast iron products<br>➤ Export to the U.S. market |
| 1972/09 | Established Guishan Plant   | Exported patented portable iron hibachi style grills to the U.S.                              |                                                              |
| 1975/10 | Hsinchu Plant I established | Produced various types of grills as the largest professional fireplace manufacturer in Taiwan |                                                              |

##### Phase II: Growth Stage

|         |                                                        |                                                                                                                       |                                                      |
|---------|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 1981/03 | Acquired the first set of automatic molding equipment  | Acquired the DISA 2013 Mark VI high pressure and high-speed molding machine and established the Machining Department. | ➤ Automatic production of industrial cast iron parts |
| 1986/02 | Acquired the second set of automatic molding equipment | Acquired the second DISA 2013 molding machine                                                                         | ➤ Emphasized equally local and export sales          |

##### Phase III: Expansion Stage

|         |                               |                                                                                                               |                                                                                                                                                           |
|---------|-------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1988/01 | Began pig iron trading        | Launched diversified operations and controlled the sourcing of raw pig iron materials; began trading pig iron | ➤ Became the largest cast iron manufacturer nationwide and attained regional mass on an economy of scale<br>➤ Became the main pig iron supplier in Taiwan |
| 1990/05 | Hsinchu Plant II established  | Set up Hsinchu Plant II and acquired the DISA 2070 automatic molding machine.                                 |                                                                                                                                                           |
| 1995/05 | Tianjin Plant operation began | Indirectly invested in Tianjin CMT Industry Co., Ltd. to achieve an international division of labor.          |                                                                                                                                                           |

##### Phase IV: Public Stage

|         |                        |                                                 |                              |
|---------|------------------------|-------------------------------------------------|------------------------------|
| 1996/10 | ISO-9002 certification | ISO-9002 certification for Hsinchu Plant I & II | ➤ Grew into a systematic and |
|---------|------------------------|-------------------------------------------------|------------------------------|

|         |                                         |                                                                                |                            |
|---------|-----------------------------------------|--------------------------------------------------------------------------------|----------------------------|
| 1997/01 | Over-the-counter ("OTC") public listing | First professional cast iron manufacturer listing at the OTC                   | transparent public company |
| 2000/09 | TWSE public listing                     | First professional foundry business listing at TWSE                            |                            |
| 2000/10 | QS-9000 certification                   | QS-9000 certification for Hsinchu Plant I, Hsinchu Plant II, and Tianjin Plant |                            |

#### Phase V: Globalization & Diversification

|         |                                                                                          |                                                                                                              |                                                                                                                                                                   |
|---------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2000/06 | Invested subsidiary Atrans Precision Industries Co., Ltd.                                | Expanded the production and sales of machinery parts and components in the automotive industry               | ➤ Became a diversified holding company that not only continued to expand in cast iron business but also real estate development, retail business, and hospitality |
| 2000/10 | Established China Metal Japan Co., Ltd.                                                  | Set up sales offices in Japan.                                                                               |                                                                                                                                                                   |
| 2001/04 | Began the operation of Suzhou Plant                                                      | Indirectly invested in Suzhou CMS Machinery Co., Ltd. and set up a production base in Eastern China.         |                                                                                                                                                                   |
| 2002/02 | Formed a strategic alliance with Japan diesel engine manufacturer YANMAR                 | Formed a strategic alliance with YANMAR (Japan) to introduce its capital, techniques, and marketing channels |                                                                                                                                                                   |
| 2002/05 | Formed a strategic alliance with BIRN, the largest cast iron plant in the Nordic region. | Formed a strategic alliance with BIRN (Denmark) to introduce its capital, techniques, and marketing channels |                                                                                                                                                                   |
| 2002/11 | Established PUJEN Land Development Co., Ltd.                                             | Established Real Estate Department for prime land development and construction of good residential buildings |                                                                                                                                                                   |
| 2003/04 | Established China Metal Automotive International Co., Ltd. (CMAI)                        | Expanded automotive component OEM business in European and American markets                                  |                                                                                                                                                                   |
| 2003/10 | ISO 14001 environmental certification                                                    | Tianjin and Suzhou plants have passed ISO 14001 environmental certification                                  |                                                                                                                                                                   |

|         |                                                                 |                                                                                                                                                   |
|---------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| 2003/12 | Established Pu Sheng Construction Co., Ltd.                     | Developed CHATEAU MANSFIELD and followed up with CMPJ cases with the Pauian Archiland                                                             |
| 2004/12 | China Metal International Holdings Inc. was listed in Hong Kong | Publicly listed on the HKEX main board on December 31, 2004.                                                                                      |
| 2005/01 | Established CMW (Tianjin) Industry Co., Ltd.                    | Set up new foundry and processing plants in Tianjin, China                                                                                        |
| 2005/02 | TS 16949 certification                                          | TS 16949 automotive component supplier certification for Hsinchu Plant I, Hsinchu Plant II, Tianjin Plant, and Suzhou Plant.                      |
| 2005/05 | Established CHINGXUAN Land Development Co., Ltd.                | Cooperated with CMPJ and Taipei MRT to jointly develop a layout for a future public sector development case or Build-Operate-Transfer (BOT) case. |
| 2005/12 | Ford Q1 certification                                           | Ford Q1 certification for Tianjin CMT Industry Co., Ltd.                                                                                          |
| 2006/10 | Invested in The Hotel National Company Limited                  | Established hospitality business                                                                                                                  |
| 2006/11 | Invested in Splendor Hospitality International Co., Ltd.        | Expanded hospitality business                                                                                                                     |
| 2008/04 | ISO 9001 certification                                          | ISO 9001: 2000 certification for CMAI                                                                                                             |
| 2008/05 | Park Lane by CMP grand opening                                  | Established retail business division                                                                                                              |
| 2010/01 | Established CHINGENG Land Development Co., Ltd.                 | Established a joint venture with Keng-Hsin Urban Renewal for urban renewal cases such as Ching-Geng Yanji and Zhongshan N Rd Project              |
| 2010/06 | Established PUJEN CHENGMEI Land Development Co., Ltd.           | Established a joint venture with Chen Mei Development Group to cooperate on Minsheng E Rd Project and other projects                              |



|         |                                                                                  |                                                                                                                 |  |
|---------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--|
| 2010/07 | Established PUCHIA Land Development Co., Ltd.                                    | Cooperate on urban renewal cases surrounding Taipei Main Station with LEESCO Development Co., Ltd.              |  |
| 2012/01 | Park Lane by Splendor grand opening                                              | Expanded the shopping mall operation                                                                            |  |
| 2012/12 | Invested in Shangrila Tourism Co., Ltd.                                          | Expanded into tourism, theme park, and hospitality businesses                                                   |  |
| 2017/10 | Privatized China Metal International Holdings Inc. (CMI) and delisted from HKEX. | Further integrated the CMP Group's resources and strengthened its overall competitiveness through privatization |  |
| 2018/07 | Established CMI (Wu Han) Precision Machinery Co., Ltd.                           | Established foundry production and processing plant in Wuhan, China                                             |  |
| 2020/02 | Established InterContinental Taichung Co., Ltd.                                  | Expanded hospitality business                                                                                   |  |
| 2020/12 | Established Calligraphy Greenway Plaza Co., Ltd.                                 | Implemented and managed the entrusted operation of "Calligraphy Square" and its ancillary facilities            |  |

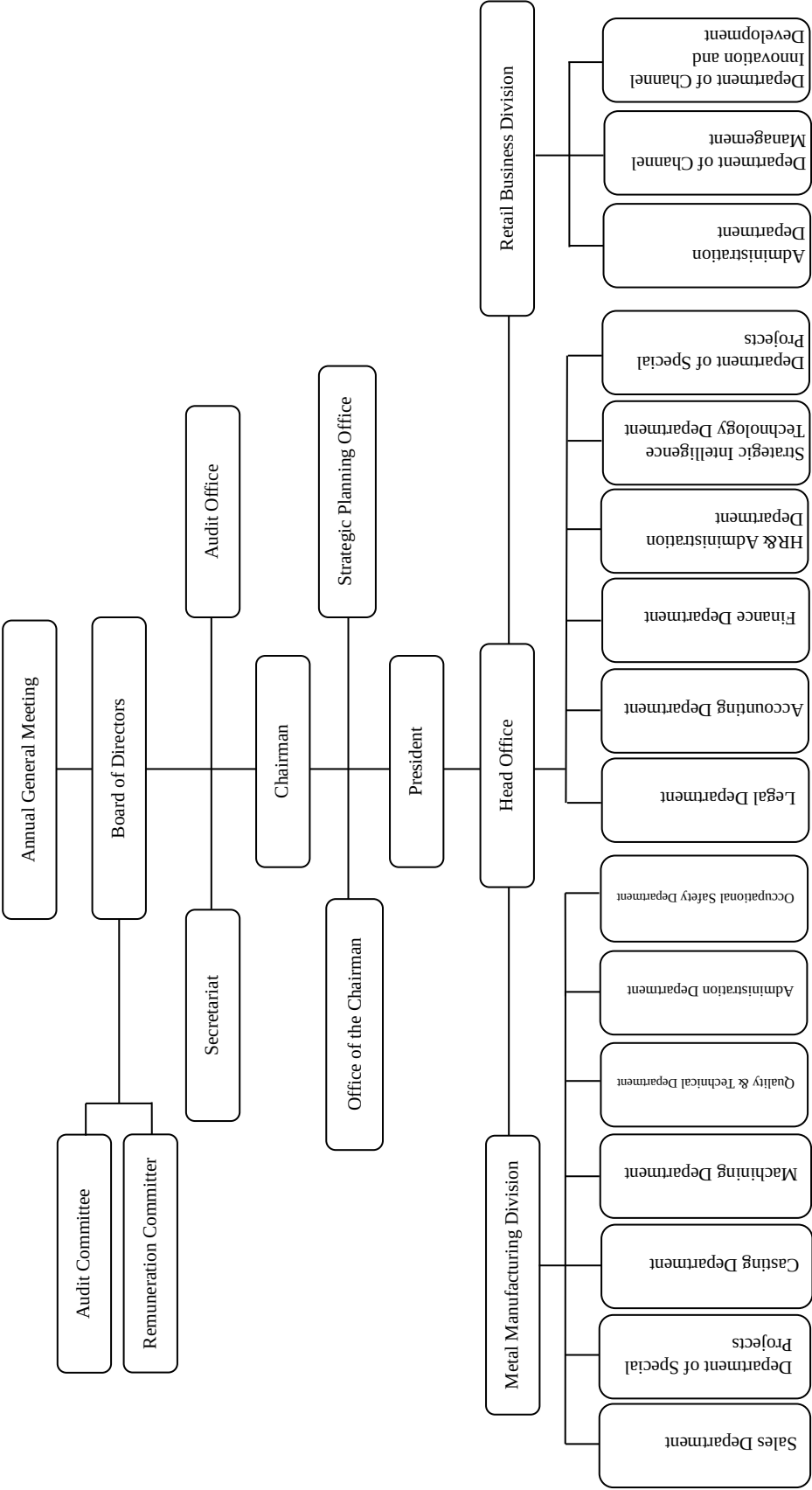
2. Merger or Acquisition of Any Company during the Most Recent Year and up to the Date of Annual Report Publication: None.
3. Investment in any Company during the Most Recent Year and up to the Date of Annual Report Publication by CMP and its Subsidiaries: None.
4. Restructuring during the Most Recent Year and up to the Date of Annual Report Publication: None.
5. Sales or Transfer of Significant Numbers of Shares by CMP's Directors, or Major Shareholders Who Owned 10% or More of CMP's Total Outstanding Shares during the Most Recent Year and up to the Date of Annual Report Publication: None.
6. Changes in CMP's Management during the Most Recent Year and up to the Date of Annual Report Publication: None.

7. Significant Changes in CMP's Operation or Business during the Most Recent Year and up to the Date of Annual Report Publication: None.
8. Events occurred during the Most Recent Year and up to the Date of Annual Report Publication that Rendered Significant Impact on CMP and its Shareholder's Equity: None.

Chapter 3 Corporate Governance Report

I. Report of Corporate Governance

(II) Organization Structure



**(II) Principle Divisions and Scope of Business Operations**

| Department             | Functions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit Office           | <ul style="list-style-type: none"><li>■ Assess risks in internal control and audit systems in CMP and its subsidiaries and provide planning for improvement.</li><li>■ Supervise and assist CMP's departments and subsidiaries in formulating internal control systems.</li><li>■ Draw up and implement annual audit plans.</li><li>■ Produce audit reports and follow up deficiencies identified during audit until improvement.</li><li>■ Check the self-assessment of CMP's departments and subsidiaries and issue annual internal control statement.</li><li>■ Provide audit declaration information to the reporting unit for declaration.</li><li>■ Implement projects.</li><li>■ Regularly report auditing information to the Audit Committee and the Board of Directors.</li><li>■ Plan internal control related education and training.</li></ul> |
| Secretariat            | <ul style="list-style-type: none"><li>■ Act as a formal channel for CMP public announcements and maintain good investor relations.</li><li>■ Serve as a communication channel between CMP and competent authorities.</li><li>■ Promote and execute CSR.</li><li>■ Handle notices, announcements, and public disclosure.</li><li>■ Ensure legal compliance and risk management of the BOD, convene BOD meetings and follow up on meeting resolutions.</li><li>■ Ensure the convening of Meeting of Shareholders and take charge of other daily share registrar operations.</li></ul>                                                                                                                                                                                                                                                                        |
| Office of the Chairman | <ul style="list-style-type: none"><li>■ Take charge of conducting operations assigned by the Chairman and company projects.</li><li>■ Manage and supervise the operation of invested companies.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Department                |                       | Functions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strategic Planning Office |                       | <ul style="list-style-type: none"> <li>■ Assess CMP Group's new businesses and projects, supervise their implementation, and provide suggestions.</li> <li>■ Evaluate and manage external cooperation and public relations of CMP Group.</li> <li>■ Integrate CMP Group's operations and cross-functional cooperation to create maximum synergy.</li> <li>■ Build CMP Group's brand and dispose of public relations.</li> <li>■ Handle internal and external communication channels and content in cooperation with Secretariat and Head Office.</li> </ul>                                                                                                                                                                                                                                                                                                         |
| Head Office               | Finance Department    | <ul style="list-style-type: none"> <li>■ Routine payment operations, fund planning and coordination, fundraising and implementation, endorsement and guarantees, and loans and related evaluation and execution; exchange rates and interest rates hedging.</li> <li>■ Planning and evaluation of investment projects; management and post-review of investment projects.</li> <li>■ External liaison with the Financial Supervisory Commission (FSC) and the Investment Commission, Ministry of Economic Affairs (MOEAIC), etc.</li> <li>■ Analyze changes and variances in quarterly financial reports.</li> <li>■ Formulate annual budgets, budget review and revisions.</li> <li>■ Handle registration related matters; manage the Company's seal, checkbooks and other important articles.</li> <li>■ Plan and coordinate finance related training.</li> </ul> |
|                           | Accounting Department | <ul style="list-style-type: none"> <li>■ Responsible for accounting affairs, provide accounting related services to affiliated companies, compile management reports and liaise with the CPAs.</li> <li>■ Discuss and define important management factors with various business units, and subsequent evaluation and revisions.</li> <li>■ Plan and declare business tax and corporate income tax.</li> <li>■ Maintain and revise accounting policies.</li> <li>■ Plan and coordinate accounting related training.</li> </ul>                                                                                                                                                                                                                                                                                                                                       |

| Department |                                              | Functions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | Strategic Intelligence Technology Department | <ul style="list-style-type: none"> <li>■ Utilize information technology to provide decision support, and implement business process reengineering to achieve management goals</li> <li>■ Grasp the latest technology to provide CMP Group with the most suitable management tool.</li> <li>■ Enhance (educate) management's concept and ability to utilize information technology.</li> <li>■ Provide strategy recommendations based on information technology and data analysis.</li> <li>■ Collect useful data and information to provide strategic support.</li> <li>■ Perform business process reengineering (BPR) and achieve policy goals.</li> <li>■ Establish and implement corporate information policies and information security systems.</li> <li>■ Provide staff with training concerning information system operation.</li> <li>■ Provide information infrastructure and asset management.</li> </ul>                                        |
|            | Legal Department                             | <ul style="list-style-type: none"> <li>■ Handle CMP's litigation, contracts, and legal issues.</li> <li>■ Plan and coordinate legal related training.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|            | Human Resources & Administration Department  | <ul style="list-style-type: none"> <li>■ Promote the realization of CMP Group's operational goals by establishing a thorough human resource and administrative management system and constructing various human resource action plans.</li> <li>■ Construct a balanced and effective performance management system, a systematic talent development structure, key talent retention strategies, and succession plans.</li> <li>■ Promote multinational human resources system and of human resources of each business unit according to CMP Group's strategy to satisfy its organizational needs and operational goals.</li> <li>■ Formulate, promote, and implement plans to advance corporate culture in accordance with CMP Group's core values, as well as corporation cultivation and internalization.</li> <li>■ Undertake various administrative and management duties such as renovations, environmental safety, and asset maintenance.</li> </ul> |

| Department                   |                                                  | Functions                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                              |                                                  | <ul style="list-style-type: none"> <li>■ Plan, review, and revise CMP Group's management regulations and processes, optimize administrative systems and processes while implementing and reviewing operations to align with operational goals.</li> </ul>                                                                                                                                                                                                  |
|                              | Department of Special Projects                   | <ul style="list-style-type: none"> <li>■ Plan and promote special projects.</li> <li>■ Record project progress and quality management.</li> <li>■ Integrate and coordinate project resources.</li> </ul>                                                                                                                                                                                                                                                   |
| Retail Business Division     | Administration Department                        | <ul style="list-style-type: none"> <li>■ Administer general affairs concerning finance, human resources, and information.</li> <li>■ Manage membership card business.</li> </ul>                                                                                                                                                                                                                                                                           |
|                              | Department of Channel Management                 | <ul style="list-style-type: none"> <li>■ Operational management, shopping mall planning, counter recruitment, marketing planning, marketing design, and customer service.</li> <li>■ Creative planning, mall optimization, project execution, and LAB.</li> </ul>                                                                                                                                                                                          |
|                              | Department of Channel Innovation and Development | <ul style="list-style-type: none"> <li>■ External connecting operation and integration of Calligraphy Greenway area.</li> <li>■ Update and optimization of member system.</li> <li>■ Implemented business evaluation for innovative development of existing channels and developed new channels.</li> </ul>                                                                                                                                                |
| Metal Manufacturing Division | Casting Department                               | <ul style="list-style-type: none"> <li>■ Implement production plans and improve production efficiency.</li> <li>■ Maintain equipment functionality and improve equipment usability.</li> <li>■ Manage parts inventory and develop spare parts.</li> </ul>                                                                                                                                                                                                  |
|                              | Machining Department                             | <ul style="list-style-type: none"> <li>■ Post-processing operations and post-processing efficiency improvement.</li> <li>■ Machining production and quality control.</li> </ul>                                                                                                                                                                                                                                                                            |
|                              | Sales Department                                 | <ul style="list-style-type: none"> <li>■ Formulate annual operational budgets.</li> <li>■ Develop market and maintain customer relationships</li> <li>■ Handle and respond to customer complaints.</li> <li>■ Formulate production and sales plans.</li> <li>■ Manage warehouses and subcontract factories.</li> <li>■ Maintain customer relationships and services.</li> <li>■ Manage the limit of credit and perform cost and price analysis.</li> </ul> |

| Department |                                | Functions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | Quality & Technical Department | <ul style="list-style-type: none"> <li>■Product valuation, feasibility assessment of new product requests, and project design.</li> <li>■Molds and inspection tools design and management.</li> <li>■Trial production, delivery, and verification of samples.</li> <li>■Production technology and process improvement.</li> <li>■Quality control and product inspection.</li> <li>■Develop BOM and standard production procedures to be followed by production units.</li> </ul>                                                                                                            |
|            | Administration Department      | <ul style="list-style-type: none"> <li>■Coordinate and track the implementation of factory management operations.</li> <li>■Establish and improve human resources system.</li> <li>■Handle administrative and management duties such as renovations, environmental safety, and asset maintenance.</li> <li>■Ensure the compliance with laws and regulations governing environmental safety (e.g., environment management and firefighting)</li> <li>■Handle daily account management and monthly invoicing management.</li> <li>■Manage and execute procurement related affairs.</li> </ul> |
|            | Occupational Safety Department | <ul style="list-style-type: none"> <li>■Supervise occupational and environmental safety related implementation with license needed.</li> <li>■Maintain health related matters.</li> <li>■Maintain dangerous and carrying equipment with license needed.</li> <li>■Supervise and manage the compliance with occupational safety regulations in factories.</li> <li>■Execute employee physical examination and manage the results thereof.</li> </ul>                                                                                                                                         |
|            | Department of Special Projects | <ul style="list-style-type: none"> <li>■Plan and promote special projects.</li> <li>■Coordinate related activities in production units to realize project goals.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                 |



## II. Information on Company Officers (Directors, President, VPs, AVPs and Heads of Divisions and Branch Offices)

### (I) Directors

#### Information on Directors (I)

April 27, 2021 Unit: shares

| Title                                                               | Nationality or Place of Registration | Name                                  | Gender | Date Elected (Appointed) | Term      | Date First Elected | Shareholding When Elected |        | Current Shareholding |        | Shares Currently Held by Spouse or Minor Child/Children |       | Shares held in the Name of Others |   | Education and Work Experience                                                            | Current Position in CMP and Other Companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Spouses or Relatives within Two Degrees of Kinship also Holding Management, Directorial, or Supervisory Positions |      |              | Remark |
|---------------------------------------------------------------------|--------------------------------------|---------------------------------------|--------|--------------------------|-----------|--------------------|---------------------------|--------|----------------------|--------|---------------------------------------------------------|-------|-----------------------------------|---|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------|--------------|--------|
|                                                                     |                                      |                                       |        |                          |           |                    | Shares                    | %      | Shares               | %      | Shares                                                  | %     | Shares                            | % |                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Title                                                                                                             | Name | Relationship |        |
| Director                                                            | Taiwan (R.O.C.)                      | Chairman<br>Yuan Investment Co., Ltd. | -      | 2020/6/22                | 2023/6/21 | 2008/5/20          | 47,491,585                | 12.33% | 51,188,965           | 13.61% | -                                                       | -     | -                                 | - | N/A                                                                                      | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | None                                                                                                              | None | None         | -      |
| Director                                                            | Taiwan (R.O.C.)                      | Lucent Source, Ltd.                   | -      | 2020/6/22                | 2023/6/21 | 2017/6/19          | 634,000                   | 0.16%  | 1,000,000            | 0.27%  | -                                                       | -     | -                                 | - | N/A                                                                                      | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | None                                                                                                              | None | None         | -      |
| Chairman<br>Director (Legal Representative),<br>Lucent Source, Ltd. | Taiwan (R.O.C.)                      | LIN Ting Fong                         | M      | 2020/6/22                | 2023/6/21 | 2015/6/26          | 1,002,067                 | 0.26%  | 1,002,067            | 0.27%  | 23,413                                                  | 0.01% | -                                 | - | Bachelor from Department of Water Resources Engineering, Chung Yuan Christian University | Chairman:<br>· Avans Precision Industries Co., Ltd.<br>· PUEN Land Development Co., Ltd.<br>· The Hotel National Co., Ltd.<br>· CMI (Wu Han) Precision Machinery Co., Ltd.<br>· CMAAN Health Co., Ltd.<br>· InterContinental Taichung Co., Ltd.<br>· San Lien Educational Foundation<br>· Meteorological Application & Development Foundation<br>· Taichung City Sports Education Development Foundation<br>· Sino-Geotechnics Research and Development Foundation<br>Chair:<br>· Far Hsing (Samoa) Enterprise Co., Ltd.<br>· China Metal International Holdings Inc.<br>Director:<br>· CMI CO., LTD.<br>· United Elite Agents Limited<br>· Sunflower Investment Co., Ltd.<br>· CMW (Cayman Islands) Co., Ltd.<br>· China Metal International (BVI) Limited<br>· Suzhou CMS Machinery Co., Ltd.<br>· Tianjin CMT Industry Co., Ltd. | None                                                                                                              | None | None         | Note 1 |

| Title                                                                        | Nationality<br>or Place of<br>Registration | Name               | Gender | Date Elected<br>(Appointed) | Term      | Date First<br>Elected | Shareholding When Elected |       | Current Shareholding |       | Shares Currently Held by Spouse<br>or Minor Child/Children |       | Shares held in the Name of<br>Others |       | Education and Work<br>Experience                                                                                                                                                                                                                                                                                                             | Current Position in CMP and Other Companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Spouses or Relatives within Two Degrees of<br>Kinship also Holding Management, Directorial, or<br>Supervisory Positions |                    |                          | Remark |
|------------------------------------------------------------------------------|--------------------------------------------|--------------------|--------|-----------------------------|-----------|-----------------------|---------------------------|-------|----------------------|-------|------------------------------------------------------------|-------|--------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------|--------|
|                                                                              |                                            |                    |        |                             |           |                       | Shares                    | %     | Shares               | %     | Shares                                                     | %     | Shares                               | %     |                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Title                                                                                                                   | Name               | Relationship             |        |
|                                                                              |                                            |                    |        |                             |           |                       |                           |       |                      |       |                                                            |       |                                      |       | <div><div>· Suzhou CMB Machinery Co., Ltd.</div><div>· CMW (Tianjin) Industry Co., Ltd.</div><div>· AGNOS CHEMICALS PTE. LTD.</div><div>· Kemitek Industrial Corp. (President)</div><div>· Santeek Company LTD.</div><div>· Multiple Investment Corp.</div><div>President:</div><div>· CMP</div><div>· Sun Lien Technology Corp.</div></div> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                         |                    |                          |        |
| Director                                                                     | Taiwan<br>(R.O.C.)                         | HO, Pei<br>Fen     | F      | 2020/6/22                   | 2023/6/21 | 2015/10/30            | 6,750,833                 | 1.75% | 6,750,833            | 1.79% | -                                                          | -     | 3,249,167                            | 0.86% | Master of Laws from<br>University of<br>Pennsylvania                                                                                                                                                                                                                                                                                         | Chairman of YI-SHI INVESTMENT CORPORATION<br>Director of CMP PUJEN Foundation for Arts and Culture                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Director                                                                                                                | WU, Shu<br>Chuan   | First-degree<br>relative | -      |
| Director<br>(Legal<br>Representative),<br>Chair-Yuan<br>Investment Co., Ltd. | Taiwan<br>(R.O.C.)                         | KING,<br>Fong Tien | M      | 2020/6/22                   | 2023/6/21 | 2008/5/30             | -                         | -     | -                    | -     | -                                                          | -     | -                                    | -     | Executive M.B.A.,<br>National Chiao Tung<br>University                                                                                                                                                                                                                                                                                       | Consultant of China Metal International Holdings Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | None                                                                                                                    | None               | None                     | -      |
|                                                                              |                                            |                    |        |                             |           |                       |                           |       |                      |       |                                                            |       |                                      |       |                                                                                                                                                                                                                                                                                                                                              | <div>Chairman:</div> <div><div>· Yu-Fai Investment Co., Ltd.</div><div>· Hong-Yu Investment Co., Ltd.</div></div> <div>Vice Chairman:</div> <div><div>· PUJEN Land Development Co., Ltd.</div></div> <div>Director:</div> <div><div>· CMW (Tianjin) Industry Co., Ltd.</div><div>· Tianjin CMT Industry Co., Ltd.</div><div>· Suzhou CMS Machinery Co., Ltd.</div><div>· The Hotel National Co., Ltd.</div><div>· China Metal Automotive International Co., Ltd.</div><div>· CMI/CO., LTD.</div></div> <div>Supervisor:</div> <div><div>· CMAAN Health Co., Ltd.</div><div>· Suzhou CMB Machinery Co., Ltd.</div></div> <div>Consultant:</div> <div><div>· CMP</div><div>· China Metal International Holdings Inc.</div></div> | Vice President                                                                                                          | TSAO, Chia-<br>Jen | First-degree<br>relative | -      |
| Director                                                                     | Taiwan<br>(R.O.C.)                         | WU, Shu<br>Chuan   | F      | 2020/6/22                   | 2023/6/21 | 1996/6/8              | 5,702,198                 | 1.48% | 5,702,198            | 1.52% | 26,312,540                                                 | 7.00% | -                                    | -     | Bachelor from<br>Department of                                                                                                                                                                                                                                                                                                               | Director:<br>· PUJEN Land Development Co., Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Director                                                                                                                | HO, Pei Fen        | First-degree<br>relative | -      |

| Title                | Nationality or Place of Registration | Name            | Gender | Date Elected (Appointed) | Term      | Date First Elected | Shareholding When Elected |       | Current Shareholding |       | Shares Currently Held by Spouse or Minor Child/Children |   | Shares held in the Name of Others |       | Education and Work Experience                                                                                                                                                                                                                                                                                                                                          | Current Position in CMP and Other Companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Spouses or Relatives within Two Degrees of Kinship also Holding Management, Directorial, or Supervisory Positions |              |                        | Remark |
|----------------------|--------------------------------------|-----------------|--------|--------------------------|-----------|--------------------|---------------------------|-------|----------------------|-------|---------------------------------------------------------|---|-----------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|--------------|------------------------|--------|
|                      |                                      |                 |        |                          |           |                    | Shares                    | %     | Shares               | %     | Shares                                                  | % | Shares                            | %     |                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Title                                                                                                             | Name         | Relationship           |        |
|                      |                                      |                 |        |                          |           |                    |                           |       |                      |       |                                                         |   |                                   |       |                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Director                                                                                                          | HO, Cheng Yu | First-degree relative  |        |
| Director             | Taiwan (R.O.C.)                      | HO, Cheng Yu    | M      | 2020/6/22                | 2023/6/21 | 2017/6/19          | 4,056,384                 | 1.05% | 4,056,384            | 1.08% | -                                                       | - | 142,000                           | 0.04% | Master in Design & Branding Strategy from Boudel University                                                                                                                                                                                                                                                                                                            | Chairman:<br>· National Management Co., Ltd. (President)<br>· Calligraphy Greenway Plaza Co., Ltd.<br>Director:<br>· Shangsha Tourism Co., Ltd. (President)<br>· The Hotel National Co., Ltd.<br>· CMP PUJEN Foundation for Arts and Culture (CEO)<br>· FANTASYSTORY INC.<br>· Hao Bao Investment Co., Ltd.<br>· YI-SHI INVESTMENT CORPORATION<br>Supervisor:<br>· PUJEN Land Development Co., Ltd.<br>· Chain-Yuan Investment Co., Ltd.<br>Assistant Vice President of CMP's Strategic Planning Office and Retail Business Division | Director                                                                                                          | HO, Pei Fen  | Second-degree relative | -      |
| Independent Director | Taiwan (R.O.C.)                      | CHANG, Ming Jye | M      | 2020/6/22                | 2023/6/21 | 2014/6/6           | -                         | -     | -                    | -     | -                                                       | - | -                                 | -     | Doctor, Business Administration, Shanghai University of Finance and Economics<br>International Business, National Taiwan University<br>Former President of Boris Securities Corporation<br>Former President of Mega Securities Co., LTD.<br>Former Consultant at Fubon Securities<br>Department of Statistics, Feng Chia University<br>Former Mayor of Taichung County | Chief Economist of FULAGAI Capital Co., Ltd.<br>Chairman and President of Ashank technology co., Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                | None                                                                                                              | None         | None                   | -      |
| Independent Director | Taiwan (R.O.C.)                      | LIAO, Liao Yi   | M      | 2020/6/22                | 2023/6/21 | 2014/6/6           | -                         | -     | -                    | -     | -                                                       | - | -                                 | -     | Chairman of Athletic Education Co., Ltd.<br>Independent Director of Feng Hsin Steel Co., Ltd.<br>Consultant of Run Long Construction Co., Ltd.                                                                                                                                                                                                                         | Chairman of Athletic Education Co., Ltd.<br>Independent Director of Feng Hsin Steel Co., Ltd.<br>Consultant of Run Long Construction Co., Ltd.                                                                                                                                                                                                                                                                                                                                                                                       | None                                                                                                              | None         | None                   | -      |

| Title                | Nationality or Place of Registration | Name            | Gender | Date Elected (Appointed) | Term      | Date First Elected  | Shareholding When Elected |   | Current Shareholding |   | Shares Currently Held by Spouse or Minor Child/Children |   | Shares held in the Name of Others |   | Education and Work Experience                                                                                                                                                                                                                                                                                               | Current Position in CMP and Other Companies | Spouses or Relatives within Two Degrees of Kinship also Holding Management, Directorial, or Supervisory Positions |      |              | Remark |
|----------------------|--------------------------------------|-----------------|--------|--------------------------|-----------|---------------------|---------------------------|---|----------------------|---|---------------------------------------------------------|---|-----------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------|--------------|--------|
|                      |                                      |                 |        |                          |           |                     | Shares                    | % | Shares               | % | Shares                                                  | % | Shares                            | % |                                                                                                                                                                                                                                                                                                                             |                                             | Title                                                                                                             | Name | Relationship |        |
|                      |                                      |                 |        |                          |           |                     |                           |   |                      |   |                                                         |   |                                   |   | Former Minister of the Ministry of the Interior<br>Former Top Management Consultant of CTBC Bank Co., Ltd. ESG<br>PHD of Business Administration, National Chengchi University<br>Master, Department of Business Management, National Chengchi University<br>Former Consultant at the Taiwan Academy of Banking and Finance |                                             |                                                                                                                   |      |              |        |
| Independent Director | Taiwan (R.O.C.)                      | LIN, Jung Chuen | M      | 2020/6/22                | 2023/6/21 | 2014/06/06 (Note 2) | -                         | - | -                    | - | -                                                       | - | -                                 | - | Independent Director:<br>· EVERLIGHT ELECTRONICS CO., LTD.<br>· ANTEC INC.                                                                                                                                                                                                                                                  |                                             |                                                                                                                   | None | None         | -      |

Note 1: If the Chairman of the BOD, the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses or relatives, the reasons, rationality, necessity and countermeasures (such as increasing the number of independent directors, and more than half of the directors having not served as employees or managers, etc.) should be given. Since CMP Group involves many industries such as metal product development, production, processing, residential and building development, rental and sales, international tourist hotel business and retail department store business, the President candidate must have diversified and rich industrial experience. After the former President Mr. KING, Fong Tien retired, the BOD elected Chairman LIN, Ting Fung as the temporary President. The Company will actively find another suitable president candidate and submit it to the BOD for deliberation and appointment.

Note 2: Independent Director LIN, Jung Chuen was elected as the Company's supervisor on 2014/06/06, and resigned on 2014/07/29 due to personal considerations.

### Directors are representatives of institutional shareholders. The major shareholders in such institutional Shareholders

April 27, 2021

| Corporate Shareholders          | Main Shareholders of the Corporate Shareholders                                                                                            |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Chain-Yuan Investment Co., Ltd. | HO, Ming Shiann (6.89%); HO, Pei Fen (30.04%); WU, Shu Chuan (30.18%); HO, Pei Lin (9.06%); HO, Pei Shan (12.03%); HO, Cheng Yu (11.80%)   |
| Lucent Source., Ltd.            | HUANG, Wen Tzu (6.72%); LIN, Ta-Hsun (35.99%); LIN, Ting Fung (12.02%); HUANG, Yu Chun (33%); HUANG Chu Hsiu (2.68%); LIN, Ta Chun (9.59%) |

**Information on Directors (II)**

April 27, 2021

| Criteria                     | Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience                                                                                                                  |                                                                                                                                                                                                                                                 | Independence Criteria (Note 1)                                                                                               |   |   |   |   |   |   |   |   |   | Number of Other Public Companies of which the Individual Concurrently Serves as an Independent Director |    |    |    |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|---|---|---|---|---------------------------------------------------------------------------------------------------------|----|----|----|
|                              | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company | Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |                                                                                                         | 10 | 11 | 12 |
| Name                         |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 |                                                                                                                              |   |   |   |   |   |   |   |   |   |                                                                                                         |    |    |    |
| Chairman:<br>LIN, Ting Fung  |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 |                                                                                                                              |   |   |   |   |   |   |   |   |   |                                                                                                         |    |    |    |
| Director:<br>TSAO, Ming Hong |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 |                                                                                                                              |   |   |   |   |   |   |   |   |   |                                                                                                         |    |    |    |
| Director:<br>WU, Shu Chuan   |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 |                                                                                                                              |   |   |   |   |   |   |   |   |   |                                                                                                         |    |    |    |
| Director: HO, Pei Fen        |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 |                                                                                                                              |   |   |   |   |   |   |   |   |   |                                                                                                         |    |    |    |
| Director:<br>HO, Cheng Yu    |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 |                                                                                                                              |   |   |   |   |   |   |   |   |   |                                                                                                         |    |    |    |
| Director:<br>KING, Fong Tien |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 |                                                                                                                              |   |   |   |   |   |   |   |   |   |                                                                                                         |    |    |    |

| Criteria                                 | Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience                                                                                                                  |                                                                                                                                                                                                                                                 |                                                                                                                              | Independence Criteria (Note 1) |   |   |   |   |   |   |   |   |    |    |    | Number of Other Public Companies of which the Individual Concurrently Serves as an Independent Director |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---|---|---|---|---|---|---|---|----|----|----|---------------------------------------------------------------------------------------------------------|
|                                          | An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company | Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1                              | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |                                                                                                         |
| Name                                     |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 |                                                                                                                              |                                |   |   |   |   |   |   |   |   |    |    |    |                                                                                                         |
| Independent Director:<br>CHANG, Ming Jye |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 | v                                                                                                                            | v                              | v | v | v | v | v | v | v | v | v  | v  | v  | 0                                                                                                       |
| Independent Director:<br>LIAO, Liou Yi   |                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                 | v                                                                                                                            | v                              | v | v | v | v | v | v | v | v | v  | v  | v  | 1                                                                                                       |
| Independent Director:<br>LIN, Jung Chuen | v                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                 | v                                                                                                                            | v                              | v | v | v | v | v | v | v | v | v  | v  | v  | 2                                                                                                       |

Note 1: For any Director or Supervisor who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the "V" sign in the corresponding field.

(1) Not employed by the Company or its affiliated companies.

(2) Not serving as a Director or Supervisor of the Company or any affiliated business (This does not apply in cases where the person is an independent director of the Company, its parent company, subsidiaries, or subsidiaries that belong to the same parent company established in pursuant to this law or local laws).

- (3) Not individual shareholders who hold shares, together with those held by their spouses, minor children or held under other's name, in an aggregate amount of more than 1% of the total outstanding shares of the Company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- (4) Not spouses or relatives within the second degree of kinship or lineal relative within the third degree of kinship, or any of the persons in the preceding three subparagraphs.
- (5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the Company or ranks among the top 5 corporate shareholders in the terms of share volume held or is assigned according to the Item 1 or 2, Article 27 of the Company Act. (This does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary established in pursuant to this law or local laws).
- (6) Not Directors, Supervisors, or employees of a company controlled by a corporate shareholder that holds more than half of the board seats or 50% of the shares with voting rights of the Company (This does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary established in pursuant to this law or local laws).
- (7) They are not directors, supervisors, or employees of a company or institution whose chairman, president or other leader holding an equivalent post concurrently serves as the chairman, president or other leader holding an equivalent post of the Company or is a spouse thereof (this does not apply in cases where the person is an independent director of the company, its parent or subsidiary established in pursuant to this law or local laws).
- (8) Not Directors, Supervisors, managers or shareholders holding 5% or more shares of a specific company or institution that also has financial or business dealing with the Company (This does not apply in the cases where the person is an Independent Director of the company or institution, its parent or subsidiary established in pursuant to this law or local laws, that holds 20% or more and no more than 50% of the total number of issued shares of the public company).
- (9) Not a professional or owner, partner, Director, Supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides the Company or its affiliates with auditing services or commercial, legal, financial, or accounting services whose aggregate amount reached to NTD 500,000 in the past two years. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act, or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(II) Information on Company Officers (President, VPs, AVPs and Heads of Divisions and Branch Offices)

April 27, 2021 Unit: shares

| Title     | Nationality     | Name           | Gender | Date Elected<br>(Appointed) | Shareholding |       | Spouse/Minor Shareholding |       | Shares held in the Name of Others |   | Education and Work Experience                                                            | Current Position in Other Companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Spouse or Relatives within Two Degrees of Kinship also Serving as Officer at CMP |      |               | Remark |
|-----------|-----------------|----------------|--------|-----------------------------|--------------|-------|---------------------------|-------|-----------------------------------|---|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------|---------------|--------|
|           |                 |                |        |                             | Shares       | %     | Shares                    | %     | Shares                            | % |                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Title                                                                            | Name | Relation ship |        |
| President | Taiwan (R.O.C.) | LIN, Ting Fung | M      | 2020/7/28                   | 1,002,067    | 0.27% | 23,413                    | 0.01% | -                                 | - | Bachelor from Department of Water Resources Engineering, Chung Yuan Christian University | Chairman:<br>• Atrans Precision Industries Co., Ltd.<br>• PUJEN Land Development Co., Ltd.<br>• The Hotel National Co., Ltd.<br>• CMI (Wu Han) Precision Machinery Co., Ltd.<br>• CMAAN Health Co., Ltd.<br>• InterContinental Taichung Co., Ltd.<br>• San Lien Educational Foundation<br>• Meteorological Application & Development Foundation<br>• Taichung City Sports Education Development Foundation<br>• Sino-Geotechnics Research and Development Foundation<br>Chair:<br>• Far Hsing (Samoa) Enterprise Co., Ltd.<br>• China Metal International Holdings Inc.<br>Director:<br>• CMJ CO., LTD.<br>• United Elite Agents Limited<br>• Sunflower Investment Co., Ltd.<br>• CMW (Cayman Islands) Co., Ltd.<br>• China Metal International (BVI) Limited<br>• Suzhou CMS Machinery Co., Ltd. | None                                                                             | None | None          | Note 1 |



| Title                                                   | Nationality     | Name           | Gender | Date Elected<br>(Appointed) | Shareholding |       | Spouse/Minor Shareholding |   | Shares held in the Name of Others |       | Education and Work Experience                               | Current Position in Other Companies                                                                                                                                                                                                                                                                                                                                                                    | Spouse or Relatives within Two Degrees of Kinship also Serving as Officer at CMP |      |               | Remark |
|---------------------------------------------------------|-----------------|----------------|--------|-----------------------------|--------------|-------|---------------------------|---|-----------------------------------|-------|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------|---------------|--------|
|                                                         |                 |                |        |                             | Shares       | %     | Shares                    | % | Shares                            | %     |                                                             |                                                                                                                                                                                                                                                                                                                                                                                                        | Title                                                                            | Name | Relation ship |        |
|                                                         |                 |                |        |                             |              |       |                           |   |                                   |       |                                                             | <div>• Tianjin CMT Industry Co., Ltd.</div> <div>• Suzhou CMB Machinery Co., Ltd.</div> <div>• CMW (Tianjin) Industry Co., Ltd.</div> <div>• AGNOS CHEMICALS PTE. LTD.</div> <div>• Kemitek Industrial Corp. (President)</div> <div>• Santek Company LTD.</div> <div>• Multiple Investment Corp.</div> <div>President:</div> <div>• San Lien Technology Corp.</div>                                    |                                                                                  |      |               |        |
| Vice President                                          | Taiwan (R.O.C.) | TSAO, Chia-Jen | M      | 2013/2/25                   | 562,070      | 0.15% | -                         | - | -                                 | -     | EMBA, University of Leeds, England                          | Director: <div>• Atrans Precision Industries Co., Ltd.</div> <div>• Yu-Tai Investment Co., Ltd.</div>                                                                                                                                                                                                                                                                                                  | None                                                                             | None | None          | -      |
| Executive Vice President/ Chief of Corporate Governance | Taiwan (R.O.C.) | MAI, Sheng Wei | M      | 2015/6/26                   | 11,000       | 0.00% | -                         | - | -                                 | -     | EMBA, College of Management, National Taiwan University     | Chairman: <div>• Shangrila Tourism Co., Ltd.</div> Vice Chairman: <div>• The Splendor Hospitality International Co., Ltd.</div> Director: <div>• The Hotel National Co., Ltd.</div> <div>• National Management Co., Ltd.</div> Executive Director: <div>• China Metal International Holdings Inc. (Executive Vice President)</div> Supervisor: <div>• CMI (Wu Han) Precision Machinery Co., Ltd.</div> | None                                                                             | None | None          | -      |
| Assistant Vice President of                             | Taiwan (R.O.C.) | HO, Cheng Yu   | M      | 2019/3/28                   | 4,056,384    | 1.08% | -                         | - | 142,000                           | 0.04% | Master in Design & Branding Strategy from Brunel University | Chairman: <div>• National Management Co., Ltd. (President)</div> <div>• Calligraphy Greenway Plaza Co., Ltd.</div>                                                                                                                                                                                                                                                                                     | None                                                                             | None | None          | -      |

| Title                                                  | Nationality     | Name            | Gender | Date Elected (Appointed) | Shareholding |       | Spouse/Minor Shareholding |       | Shares held in the Name of Others |   | Education and Work Experience                                   | Current Position in Other Companies                                                                                                                                                                                                                                                                                                 | Spouse or Relatives within Two Degrees of Kinship also Serving as Officer at CMP |      |               | Remark |
|--------------------------------------------------------|-----------------|-----------------|--------|--------------------------|--------------|-------|---------------------------|-------|-----------------------------------|---|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------|---------------|--------|
|                                                        |                 |                 |        |                          | Shares       | %     | Shares                    | %     | Shares                            | % |                                                                 |                                                                                                                                                                                                                                                                                                                                     | Title                                                                            | Name | Relation ship |        |
| Retail Business Division and Strategic Planning Office |                 |                 |        |                          |              |       |                           |       |                                   |   |                                                                 | Director:<br>• Shangrila Tourism Co., Ltd. (President)<br>• The Hotel National Co., Ltd.<br>• CMP PUJEN Foundation for Arts and Culture (CEO)<br>• FANTASYSTORY INC.<br>• Hao Bao Investment Co., Ltd.<br>• YI-SHI INVESTMETN CORPORATION<br>Supervisor:<br>• PUJEN Land Development Co., Ltd.<br>• Chain-Yuan Investment Co., Ltd. |                                                                                  |      |               |        |
| Office of the Chairman Special Assistant               | Taiwan (R.O.C.) | CHEN, Hung-Yi   | M      | 2018/2/1                 | 167,265      | 0.04% | 84,909                    | 0.02% | -                                 | - | Master of Business Administration,<br>University of Salford, UK | Director:<br>• China Metal Automotive International Co., Ltd.<br>• CMAI Holding, Inc.<br>• Pilot Drive LLC<br>• CMAI INDUSTRIES, INC.<br>Supervisor:<br>• Atrans Precision Industries Co., Ltd.                                                                                                                                     | None                                                                             | None | None          | -      |
| Manager of Finance Department                          | Taiwan (R.O.C.) | HE, Shih Kang   | M      | 2016/1/1                 | -            | -     | -                         | -     | -                                 | - | Master of Economics,<br>National Taiwan University              | Supervisor:<br>• Atrans Precision Industries Co., Ltd.<br>• CMJ CO., LTD.<br>• The Splendor Hospitality International Co., Ltd.                                                                                                                                                                                                     | None                                                                             | None | None          | -      |
| Manager of Accounting Department                       | Taiwan (R.O.C.) | WANG, Pei Chang | F      | 2017/3/16                | -            | -     | -                         | -     | -                                 | - | Master of Accounting,<br>Soochow University                     | Supervisor of Sunflower Investment Co., Ltd.                                                                                                                                                                                                                                                                                        | None                                                                             | None | None          | -      |

Note 1: If the Chairman of the BOD, the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses or relatives, the reasons, rationality, necessity and countermeasures (such as increasing the number of independent directors, and more than half of the directors having not served as employees or managers, etc.) should be given: Since CMP Group involves many industries such as metal product development, production, processing, residential and building development, rental and sales, international tourist hotel business and retail department store business, the President candidate must have diversified and rich industrial experience. After the former President Mr. KING, Fong Tien retired, the BOD elected Chairman LIN, Ting Fung as the temporary President. The Company will actively find another suitable president candidate and submit it to the BOD for deliberation and appointment.

### III. Remuneration Paid to Directors and Company Executives during the Most Recent Year

#### (I) Remuneration of general directors and independent directors

December 31, 2020 Unit: NTD/1,000

| Title                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Name                                                                 | Director's Remuneration                                              |                          |                                  |                          |                                              |                          | Ratio of Total Remuneration<br>(A+B+C+D) to Net Income<br>(%) |                          | Remuneration Paid to Concurrent Employees |                          |                                   |                          |                                      |       | Ratio of Total<br>Remuneration (A, B, C,<br>D, E, F, and G) to Net<br>Income (%) |       | Compensation<br>from an<br>Invested<br>Company or the<br>Company or the<br>Parent<br>Company Other<br>than the<br>Company's<br>Subsidiaries |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------------------|--------------------------|---------------------------------------------------------------|--------------------------|-------------------------------------------|--------------------------|-----------------------------------|--------------------------|--------------------------------------|-------|----------------------------------------------------------------------------------|-------|---------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | Base Compensation (A)                                                |                          | Severance Pay and<br>Pension (B) |                          | Compensation to Directors<br>(C)<br>(Note 3) |                          | Allowances (D) (Note 1)                                       |                          | Salary, Bonus and<br>Allowances (E)       |                          | Severance Pay and Pensions<br>(F) |                          | Employees' Compensation (G) (Note 2) |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | CMP                                                                  | Consolidated<br>Entities | CMP                              | Consolidated<br>Entities | CMP                                          | Consolidated<br>Entities | CMP                                                           | Consolidated<br>Entities | CMP                                       | Consolidated<br>Entities | CMP                               | Consolidated<br>Entities | CMP                                  |       | Consolidated Entities                                                            |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      |                                                                      |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          | Cash                                 | Stock | Cash                                                                             | Stock |                                                                                                                                             |
| Directors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Lucent Source,<br>Ltd. :<br>Director<br>Representative               |                                                                      |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | LIN, Ting Fung                                                       |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | TSAO, Ming<br>Hong<br>(Note 1)                                       |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | WU, Shu Chuan                                                        |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | HO, Cheng Yu                                                         |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | HO, Pei Fen                                                          |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | Chai-Yuan<br>Investment Co.,<br>Ltd.                                 |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Corporate Director                                                   |                                                                      |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | 3,125                                                                | 9,693                    | -                                | -                        | 12,210                                       | 12,210                   | 3,511                                                         | 3,536                    | 3,688                                     | 6,958                    | 1,811                             | 1,811                    | 249                                  | -     | 249                                                                              | -     | 6.18%                                                                                                                                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Corporate Director                                                   |                                                                      |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
| Independent Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Chai-Yuan<br>Investment Co.,<br>Ltd. :<br>Director<br>Representative |                                                                      |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | CHEN, Pen Fa<br>(Note 2)                                             |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | Chai-Yuan<br>Investment Co.,<br>Ltd. :<br>Director<br>Representative |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | LIANG, Liang Yi<br>CHANG, Ming<br>Jye<br>LIN, Jung Chuen             |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
| Total                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                      | 3,600                                                                | 3,600                    | -                                | -                        | 2,616                                        | 2,616                    | 595                                                           | 595                      | -                                         | -                        | -                                 | -                        | -                                    | -     | -                                                                                | -     | -                                                                                                                                           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                      | 6,725                                                                | 13,293                   | -                                | -                        | 14,826                                       | 14,826                   | 4,106                                                         | 4,131                    | 3,688                                     | 6,958                    | 1,811                             | 1,811                    | 249                                  | -     | 249                                                                              | -     | 7.40%                                                                                                                                       |
| 1. Please describe the policies, systems, standards and structure of remuneration for Independent Directors, and explain the correlation of the amount of the remuneration with their responsibilities, risks, and working time. The basis of payment for remuneration of independent directors is by reference to the level of remuneration of the same industry. Must be individually reviewed and approved by the Remuneration Committee and then reported to the Board of Directors for resolution. Points are given based on the degree of participation in the Company's operation and the value of their contribution. Remuneration are given at the ratio of the points acquired by each director to total points acquired by all directors. |                                                                      |                                                                      |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |
| In addition to the information disclosed above, has any of the Company's Directors received compensations for providing services (e.g. serving as a non-employee consultant) to any of the companies listed in this financial report in the most recent year: None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                      |                                                                      |                          |                                  |                          |                                              |                          |                                                               |                          |                                           |                          |                                   |                          |                                      |       |                                                                                  |       |                                                                                                                                             |

Note 1: Vehicle expenses for Director TSAO, Ming Hong was NTD 650 thousand.

Note 2: CHEN, Pen Fa, the director representative of Chain-Yuan Investment Co., Ltd., was not re-elected at the regular shareholders meeting after the re-election on June 22, 2020.

Note 3: KING, Fong Tien, the director representative of Chain-Yuan Investment Co., Ltd., was newly elected at the regular shareholders meeting after the re-election on June 22, 2020.

Note 4: The Company's Board of Directors decided on March 30, 2021, the amount of employees' and directors' remuneration for 2020. Remuneration to directors had been given out on April 12, 2021. Nonetheless, remuneration to employees has not been distributed as at the publication date of this Annual Report, and the actual amount to be distributed will be determined in accordance with the Company's internal regulations and be submitted to the Remuneration Committee for deliberation.

Remuneration Table

| Range of Remuneration Paid to Directors | Name of Director                                                                                                                       |                                                                                                                                           |                                                                                                                                                         |                                                                                                                                     |    |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----|
|                                         | Total of (A+B+C+D)                                                                                                                     |                                                                                                                                           | Total of (A+B+C+D+E+F+G)                                                                                                                                |                                                                                                                                     |    |
|                                         | CMP                                                                                                                                    | Consolidated Entities                                                                                                                     | CMP                                                                                                                                                     | Consolidated Entities                                                                                                               |    |
| < NTD 1,000,000                         | HO, Pei Fen,<br>CHEN, Pen Fa,<br>KING, Fong Tien                                                                                       | HO, Pei Fen,<br>CHEN, Pen Fa,<br>KING, Fong Tien                                                                                          | HO, Pei Fen,<br>CHEN, Pen Fa                                                                                                                            | HO, Pei Fen,<br>CHEN, Pen Fa                                                                                                        |    |
| NTD 1,000,000 ~ NTD 1,999,999           | WU, Shu Chuan,<br>HO, Cheng Yu,                                                                                                        | WU, Shu Chuan,<br>HO, Cheng Yu,                                                                                                           | WU, Shu Chuan                                                                                                                                           | WU, Shu Chuan                                                                                                                       |    |
| NTD 2,000,000 ~ NTD 3,499,999           | TSAO, Ming Hong,<br>Chain-Yuan Investment<br>Co., Ltd., Lucent Source.,<br>Ltd., CHANG, Ming Jye,<br>LIAO, Liou Yi,<br>LIN, Jung Chuen | TSAO, Ming Hong,<br>Chain-Yuan Investment<br>Co., Ltd., Lucent Source.,<br>Ltd.,<br>CHANG, Ming Jye,<br>LIAO, Liou Yi,<br>LIN, Jung Chuen | HO, Cheng Yu,<br>Chain-Yuan Investment<br>Co., Ltd., Lucent Source.,<br>Ltd., KING, Fong Tien,<br>CHANG, Ming Jye,<br>LIAO, Liou Yi,<br>LIN, Jung Chuen | HO, Cheng Yu,<br>Chain-Yuan Investment<br>Co., Ltd., Lucent Source.,<br>Ltd., CHANG, Ming Jye,<br>LIAO, Liou Yi,<br>LIN, Jung Chuen |    |
| NTD 3,500,000 ~ NTD 4,999,999           | -                                                                                                                                      | -                                                                                                                                         | TSAO, Ming Hong                                                                                                                                         | KING, Fong Tien                                                                                                                     |    |
| NTD 5,000,000 ~ NTD 9,999,999           | LIN, Ting Fung                                                                                                                         | -                                                                                                                                         | LIN, Ting Fung                                                                                                                                          | TSAO, Ming Hong                                                                                                                     |    |
| NTD 10,000,000 ~ NTD 14,999,999         | -                                                                                                                                      | LIN, Ting Fung                                                                                                                            | -                                                                                                                                                       | LIN, Ting Fung                                                                                                                      |    |
| NTD 15,000,000 ~ NTD 29,999,999         | -                                                                                                                                      | -                                                                                                                                         | -                                                                                                                                                       | -                                                                                                                                   |    |
| NTD 30,000,000 ~ NTD 49,999,999         | -                                                                                                                                      | -                                                                                                                                         | -                                                                                                                                                       | -                                                                                                                                   |    |
| NTD 50,000,000 ~ NTD 99,999,999         | -                                                                                                                                      | -                                                                                                                                         | -                                                                                                                                                       | -                                                                                                                                   |    |
| NTD 100,000,000 or above                | -                                                                                                                                      | -                                                                                                                                         | -                                                                                                                                                       | -                                                                                                                                   |    |
| Total                                   | 12                                                                                                                                     | 12                                                                                                                                        | 12                                                                                                                                                      | 12                                                                                                                                  | 12 |

(II) Remuneration to the President and Vice Presidents

December 31, 2020 Currency Unit: NTD/1,000

| Title                    | Name                        | Salary (A) |                       | Severance Pay and Pension (B) |                       | Bonus and Allowances(C) |                       | Employee Compensation (D)<br>(Note 4) |       |                       |       | Ratio of Total Compensation<br>(A+B+C+D) to Net Income (%) |       | Compensation from an Invested Company or the Parent Company Other than the Company's Subsidiaries |
|--------------------------|-----------------------------|------------|-----------------------|-------------------------------|-----------------------|-------------------------|-----------------------|---------------------------------------|-------|-----------------------|-------|------------------------------------------------------------|-------|---------------------------------------------------------------------------------------------------|
|                          |                             | CMP        | Consolidated Entities | CMP                           | Consolidated Entities | CMP                     | Consolidated Entities | CMP                                   |       | Consolidated Entities |       |                                                            |       |                                                                                                   |
|                          |                             |            |                       |                               |                       |                         |                       | Cash                                  | Stock | Cash                  | Stock |                                                            |       |                                                                                                   |
| President                | LIN, Ting Fung<br>(Note 1)  | 4,383      | 5,051                 | 1,811                         | 1,811                 | 10,567                  | 16,011                | 1,475                                 | -     | 1,475                 | -     | 3.27%                                                      | 4.37% | -                                                                                                 |
| President                | KING, Fong Tien<br>(Note 2) |            |                       |                               |                       |                         |                       |                                       |       |                       |       |                                                            |       |                                                                                                   |
| Vice President           | TSAO, Chia-Jen<br>(Note 3)  |            |                       |                               |                       |                         |                       |                                       |       |                       |       |                                                            |       |                                                                                                   |
| Executive Vice President | MAI, Sheng Wei              |            |                       |                               |                       |                         |                       |                                       |       |                       |       |                                                            |       |                                                                                                   |

Note 1: The President, LIN, Ting Fung, took office on July 28, 2020.

Note 2: The President, KING, Fong Tien, retired on July 28, 2020.

Note 3: The rent set by the vice President, TSAO, Chia-Jen, at actual or fair market price is 558,000 NTD.

Note 4: The Company's Board of Directors decided on March 30, 2021, the amount of employees' and directors' remuneration for 2020. Nonetheless, remuneration to employees has not been distributed as at the publication date of this Annual Report, and the actual amount to be distributed will be determined in accordance with the Company's internal regulations and be submitted to the Remuneration Committee for deliberation.

Remuneration Table

| Range of Compensations Paid to President and Vice Presidents | Name of President and Vice Presidents |                                    |
|--------------------------------------------------------------|---------------------------------------|------------------------------------|
|                                                              | CMP                                   | Consolidated Entities              |
| < NTD 1,000,000                                              | -                                     | -                                  |
| NTD 1,000,000 ~ NTD 1,999,999                                | -                                     | -                                  |
| NTD 2,000,000 ~ NTD 3,499,999                                | KING, Fong Tien,<br>TSAO, Chia-Jen    | TSAO, Chia-Jen                     |
| NTD 3,500,000 ~ NTD 4,999,999                                | MAI, Sheng Wei                        | MAI, Sheng Wei,<br>KING, Fong Tien |
| NTD 5,000,000 ~ NTD 9,999,999                                | LIN, Ting Fung                        | -                                  |
| NTD 10,000,000 ~ NTD 14,999,999                              | -                                     | LIN, Ting Fung                     |
| NTD 15,000,000 ~ NTD 29,999,999                              | -                                     | -                                  |
| NTD 30,000,000 ~ NTD 49,999,999                              | -                                     | -                                  |
| NTD 50,000,000 ~ NTD 99,999,999                              | -                                     | -                                  |
| NTD 100,000,000 or above                                     | -                                     | -                                  |
| Total                                                        | 4                                     | 4                                  |

(III) Employee Remuneration Distributed to Managers and Status of Allocation

December 31, 2020 Currency Unit: NTD/1,000

| Title                                                                              | Name            | Stock | Cash (Note 1) | Total | Ratio of Total Remuneration to Net Income for the Year (%) |
|------------------------------------------------------------------------------------|-----------------|-------|---------------|-------|------------------------------------------------------------|
| President                                                                          | LIN, Ting Fung  | -     | 2,765         | 2,765 | 0.50%                                                      |
| Vice President                                                                     | TSAO, Chia-Jen  |       |               |       |                                                            |
| Administrative execution Vice President                                            | MAI, Sheng Wei  |       |               |       |                                                            |
| Office of the Chairman Special Assistant                                           | CHEN, Hung-Yi   |       |               |       |                                                            |
| Assistant Vice President of Retail Business Division and Strategic Planning Office | HO, Cheng Yu    |       |               |       |                                                            |
| Manager of Finance Department                                                      | HE, Shih Kang   |       |               |       |                                                            |
| Manager of Accounting Department                                                   | WANG, Pei Chang |       |               |       |                                                            |

Note 1: The Company's Board of Directors decided on March 30, 2021, the amount of employees' and directors' remuneration for 2020. Nonetheless, remuneration to employees has not been distributed as at the publication date of this Annual Report, and the actual amount to be distributed will be determined in accordance with the Company's internal regulations and be submitted to the Remuneration Committee for deliberation.



**(IV) Analysis of the Ratio of Total Remuneration for Directors, President, and Vice Presidents to Net Income for the Year per CMP Group Consolidated or Standalone Financial Reports during the Most Recent Two Years, and the Policies, Standards, Combinations and Procedures for Remuneration and the Correlation with Business Operation Performance and Future Risks:**

1. Ratio of Directors, President, and Vice Presidents' Total Remuneration to Net Income after Tax:

| Title                         | Ratio of Total Remuneration to Net Income for the Year (%) |                       |       |                       |
|-------------------------------|------------------------------------------------------------|-----------------------|-------|-----------------------|
|                               | 2020                                                       |                       | 2019  |                       |
|                               | CMP                                                        | Consolidated Entities | CMP   | Consolidated Entities |
| Directors                     | 5.63%                                                      | 7.40%                 | 7.29% | 8.42%                 |
| President and Vice Presidents | 3.27%                                                      | 4.37%                 | 2.22% | 2.88%                 |

2. Policies, Standards, Combinations, and Procedures for Remuneration and the Correlation with Business Operation Performance and Future Risks:

- (1) Directors: The types of compensation that CMP currently pays to Directors include pay, bonuses, and honorariums, and are all carried out in line with regulations from Article 27-1 of the Articles of Incorporation. If profit is made in a fiscal year, the consolidated company shall allocate no more than 2.5% of the profit as compensations to directors. CMP has also established the "Remuneration Policy for Directors, Members of Remuneration Committee, Audit Committee, and Managers" and pays reasonable compensations based on the degree of their participation in and contribution to CMP's operations. Reasonableness of related compensations is reviewed by the Remuneration Committee and Board of Directors. The consolidated company has set up an Audit Committee on June 19, 2017 and terminated the supervisory system.
- (2) Managers: Pursuant to Article 27-1 of the Articles of Incorporation, if profit is made in a fiscal year, the consolidated company shall allocate no less than 2.5% as compensations for employees. CMP has also established the "Remuneration Policy for Directors, Members of Remuneration Committee, Audit Committee, and Managers" and "Remuneration Management Policy". Compensations for managers include pay and bonuses. While the pay is determined by a manager's years of work experience and values of his/her work, bonuses include employees' bonuses, bonuses for reaching the budget, year-end bonuses, and more. Employees' bonuses are allocated based on the consolidated company's profits in a given year in reference to standards including a manager's functionalities, responsibilities, years of experience, and special contribution to CMP, as well as his/her ability to achieve long-term growth with the consolidated company. Performance and year-end bonuses are reasonable compensations given to award

departmental performance or financial performance (for achieving revenue goals and profits, budget goals, growth and new markets, or effective financial operations and risk management), talent development (elite development and employee retention rate), and quality and risk (legal compliance) and are referred at a rate consistent with general industry practices. Personal performance, CMP management performance and correlations to future risks are also referred to in making such reasonable allocations. Timely review of the remuneration system is also made in regards to actual business status and legal applicability to achieve a balance between the sustainable management of the consolidated company and risk control.

#### IV. Implementation of Corporate Governance

##### (I) Implementation of the Board of Directors:

A total of 8 (A) Board meetings were held in 2020. The attendance of the Directors was as follows:

| Title                                                                                                 | Name                                                                  | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Remark        |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------|----------|---------------------------|---------------|
| Chairman                                                                                              | Lucent Source., Ltd.<br>Representative:<br>LIN, Ting Fung             | 8                        | 0        | 100%                      | Reelected     |
| Director                                                                                              | WU, Shu Chuan                                                         | 8                        | 0        | 100%                      | Reelected     |
| Director                                                                                              | TSAO, Ming Hong                                                       | 8                        | 0        | 100%                      | Reelected     |
| Director                                                                                              | HO, Cheng Yu                                                          | 8                        | 0        | 100%                      | Reelected     |
| Director                                                                                              | HO, Pei Fen                                                           | 6                        | 0        | 100%                      | Newly-elected |
| Director                                                                                              | Chain-Yuan Investment Co., Ltd.<br>Representative:<br>HO, Pei Fen     | 2                        | 0        | 100%                      | Former term   |
| Director                                                                                              | Chain-Yuan Investment Co., Ltd.<br>Representative:<br>CHEN, Pen Fa    | 2                        | 0        | 100%                      | Former term   |
| Director                                                                                              | Chain-Yuan Investment Co., Ltd.<br>Representative:<br>KING, Fong Tien | 6                        | 0        | 100%                      | Newly-elected |
| Independent Director                                                                                  | LIAO, Liou Yi                                                         | 8                        | 0        | 100%                      | Reelected     |
| Independent Director                                                                                  | CHANG, Ming Jye                                                       | 8                        | 0        | 100%                      | Reelected     |
| Independent Director                                                                                  | LIN, Jung Chuen                                                       | 8                        | 0        | 100%                      | Reelected     |
| Note 1: Since the re-election of the current BOD on June 22, 2020, six board meetings have been held. |                                                                       |                          |          |                           |               |

Other matters:

- I. With regard to the implementation of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Independent Directors' opinions and the Company's handling of such opinions shall be specified:

1. Matters Stated referred to Article 14-3 of the Securities and Exchange Act:

| Meeting Date<br>(Term)               | Contents of Motions                                                                                                                                                    | All Independent<br>Directors' Opinions                 | CMP's Handling of<br>Independent<br>Directors Opinions |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| 2020/03/30<br>(1st Board<br>Meeting) | ● Proposed the appointment of CPAs for 2020 for discussion.                                                                                                            | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Proposed the endorsement and guarantees of NTD 250 million based on the shareholding percentage for The Splendor Hospitality International Co., Ltd. for resolution. | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Proposed the amendments to Internal Control System for resolution.                                                                                                   | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Proposal of Appointment of Legal Director of InterContinental Taichung Co., LTD., a subsidiary of CMP for confirmation.                                              | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Proposal of Nomination of Candidates for Independent Directors for discussion.                                                                                       | -                                                      | -                                                      |
| 2020/05/12<br>(2nd Board<br>Meeting) | ● Proposed the endorsement and guarantees of NTD 110 million for the Sunflower Investment Co., Ltd. for resolution.                                                    | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Proposed the endorsement and guarantees of NTD 50 million for the subsidiary Shangrila Tourism Co., Ltd. for resolution.                                             | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Proposed the endorsement and guarantees of NTD 53,615,100 for the subsidiary The Hotel National Company Limited for resolution.                                      | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Proposed the amendments to Internal Control System for resolution.                                                                                                   | ● Approved by all Independent Directors in attendance. | -                                                      |

| Meeting Date<br>(Term)            | Contents of Motions                                                                                                                                                                                                    | All Independent<br>Directors' Opinions                                                                                                                                                                                                                                                                                             | CMP's Handling of<br>Independent<br>Directors Opinions                                                    |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
|                                   | <ul style="list-style-type: none"> <li>Proposed the appointment of a juristic person as a nominee for the Director and Supervisor of the subsidiary National Management Co., Ltd. for discussion.</li> </ul>           | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                                                                                                                                                                                                             | -                                                                                                         |
|                                   | <ul style="list-style-type: none"> <li>Proposed the appointment of a person as a nominee for the Director of the subsidiary Sunflower Investment Co., Ltd. for discussion.</li> </ul>                                  | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                                                                                                                                                                                                             | -                                                                                                         |
|                                   | <ul style="list-style-type: none"> <li>Proposal of examining and accepting shareholders' nomination right and proposal right for resolution.</li> </ul>                                                                | -                                                                                                                                                                                                                                                                                                                                  | -                                                                                                         |
| 2020/07/28<br>(3rd Board Meeting) | <ul style="list-style-type: none"> <li>Proposed the re-election of the President for discussion.</li> </ul>                                                                                                            | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                                                                                                                                                                                                             | -                                                                                                         |
| 2020/08/13<br>(4th Board Meeting) | <ul style="list-style-type: none"> <li>Proposed the donation to CMP PUJEN Foundation for Arts and Culture for resolution.</li> </ul>                                                                                   | <ul style="list-style-type: none"> <li>Proposed to make explanation of the Foundation's implementation results in the first half of 2020 and the budget project to be implemented in the second half of 2020 as the supplementary information of the BOD.</li> <li>Approved by all Independent Directors in attendance.</li> </ul> | <ul style="list-style-type: none"> <li>Executed on the Independent Directors' recommendations.</li> </ul> |
| 2020/11/12<br>(5th Board Meeting) | <ul style="list-style-type: none"> <li>Proposed amendments to the rules for implementation of internal control system described in Other Management: Management of Financial Statement Preparation Process.</li> </ul> | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                                                                                                                                                                                                             | -                                                                                                         |
| 2020/12/08<br>(6th Board Meeting) | <ul style="list-style-type: none"> <li>Proposal of Appointment of Legal Director of Calligraphy Greenway Plaza Co., Ltd., a subsidiary of CMP for confirmation.</li> </ul>                                             | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                                                                                                                                                                                                             | -                                                                                                         |

| Meeting Date<br>(Term)               | Contents of Motions                                                                                                                                                                                                             | All Independent<br>Directors' Opinions                                                                 | CMP's Handling of<br>Independent<br>Directors Opinions |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| 2020/12/17<br>(7th Board<br>Meeting) | <ul style="list-style-type: none"> <li>Proposed the purchase of land around Houlongzi Section of Taichung to revive the existing land in Taichung and promote the follow-up overall development plan for discussion.</li> </ul> | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul> | -                                                      |

2. Any recorded or written Board resolutions to which Independent Directors have objections or reservations to be noted in addition to the above: None.

II. Recusals of Directors from Voting due to Conflicts of Interests:

| Meeting Date<br>(Term)               | Contents of Motions                                                                                                                                                                                          | Directors Refrained from Discussing and<br>Voting due to Conflict of Interest                                                                           |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2020/03/30<br>(1st Board<br>Meeting) | <ul style="list-style-type: none"> <li>Proposal of Appointment of Legal Director of InterContinental Taichung Co., LTD., a subsidiary of CMP for confirmation.</li> </ul>                                    | Chairman LIN, Ting Fung (in person)                                                                                                                     |
|                                      | <ul style="list-style-type: none"> <li>Proposal of Nomination of Candidates for Independent Directors for discussion.</li> </ul>                                                                             | Independent Director CHANG, Ming Jye (in person)<br>Independent Director LIN, Jung Chuen (in person)<br>Independent Director LIAO, Liou Yi (in person), |
| 2020/05/12<br>(2nd Board<br>Meeting) | <ul style="list-style-type: none"> <li>Proposed the appointment of a juristic person as a nominee for the Director and Supervisor of the subsidiary National Management Co., Ltd. for discussion.</li> </ul> | Director HO, Cheng Yu (in person),<br>Director WU, Shu Chuan (within two degrees of kinship),<br>Director HO, Pei Fen (within two degrees of kinship)   |
|                                      | <ul style="list-style-type: none"> <li>Proposed the appointment of a person as a nominee for the Director of the subsidiary Sunflower Investment Co., Ltd. for discussion.</li> </ul>                        | Chairman LIN, Ting Fung (in person)                                                                                                                     |
|                                      | <ul style="list-style-type: none"> <li>Proposal of examining and accepting shareholders' nomination right and proposal right for resolution.</li> </ul>                                                      | Independent Director CHANG, Ming Jye (in person)<br>Independent Director LIN, Jung Chuen (in person)<br>Independent Director LIAO, Liou Yi (in person), |
| 2020/07/28<br>(3rd Board<br>Meeting) | <ul style="list-style-type: none"> <li>Proposed the re-election of the President for discussion.</li> </ul>                                                                                                  | Chairman LIN, Ting Fung (in person)                                                                                                                     |

|                                   |                                                                                                                                                                            |                                                                                                                                                             |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2020/08/13<br>(4th Board Meeting) | <ul style="list-style-type: none"> <li>Proposed the donation to CMP PUJEN Foundation for Arts and Culture for resolution.</li> </ul>                                       | Director HO, Cheng Yu (in person),<br>Director WU, Shu Chuan<br>(within two degrees of kinship),<br>Director HO, Pei Fen<br>(within two degrees of kinship) |
| 2020/12/08<br>(6th Board Meeting) | <ul style="list-style-type: none"> <li>Proposal of Appointment of Legal Director of Calligraphy Greenway Plaza Co., Ltd., a subsidiary of CMP for confirmation.</li> </ul> | Director HO, Cheng Yu (in person),<br>Director WU, Shu Chuan<br>(within two degrees of kinship),<br>Director HO, Pei Fen<br>(within two degrees of kinship) |

### III. The execution of the Board's evaluation

| Evaluation Cycles | Evaluation Period       | Evaluation Scope                                                                                | Evaluation Method                     | Evaluation Aspects                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------|-------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Once a year       | 2020/01/01 - 2020/12/31 | <ul style="list-style-type: none"> <li>Board Meetings</li> <li>Functional Committees</li> </ul> | Internal assessment of the Board      | Board Meetings<br>I. Participation of the Company's operation<br>II. Improvement in the Board's decision making quality<br>III. Composition and structure of the Board<br>IV. Selection and continuing education of the directors<br>V. Internal control<br>Functional Committees<br>I. Participation of the Company's operation<br>II. Awareness of the duties of the functional committee.<br>III. Improvement of quality of decisions made by the functional committee.<br>IV. Makeup of the functional committee and election of its members.<br>V. Internal control |
| Once a year       | 2020/01/01 - 2020/12/31 | <ul style="list-style-type: none"> <li>Individual Board Member</li> </ul>                       | self-assessments by each board member | I. Execution of the Company's goals and tasks<br>II. Understanding of the director's roles and responsibilities<br>III. Participation of the Company's operation<br>IV. Management and communication of the internal relations<br>V. Expertise and continuing education of the directors<br>VI. Internal Control                                                                                                                                                                                                                                                         |

After completing the performance evaluation of the Board of Directors, the participation evaluation of directors by themselves and the performance evaluation of functional committees for 2020 in accordance with the Regulations Governing Performance Evaluation for the Board of Directors. The evaluation results ranged from 93.88 to 100 points. The overall operation of BOD and functional committees (Audit Committee and Remuneration Committee) is excellent. Evaluation results have been reported to the Board of Directors on March 30, 2021.

IV. Measures taken to strengthen the functionality of the Board (e.g. establishing an Audit Committee and enhancing information transparency) and results thereof:

1. CMP has formulated and complies with its Rules of Procedure for Board of Directors Meetings in reference to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and has disclosed the Directors' attendance of Board of Directors (BOD) meetings on the Market Observation Post System (MOPS).
2. CMP has formulated its Code of Ethical Conduct and complies with the Code in practice.
3. CMP has established a Remuneration Committee to assist the BOD fulfill its duties. For information on operations of the Remuneration Committee, please see Implementation of Corporate Governance: (IV) Operational Status of the Remuneration Committee for details.
4. CMP has established an Audit Committee to assist the BOD to supervise the quality and integrity in regards to CMP's accounting, audit, financial reporting procedures and financial control. For information on operations of the Audit Committee, please see Implementation of Corporate Governance: (II) Implementation of the Audit Committee for details.
5. To fulfill corporate governance, ethical management, and corporate social responsibility in practice, the BOD of CMP has approved five rules and procedures including Corporate Governance Best Practice Principles, Corporate Social Responsibility Best Practice Principles, Regulations Governing Performance Evaluation for the Board of Directors, Ethical Corporate Management Best Practice Principles, and Procedures for Ethical Management and Guidelines for Conduct in a BOD meeting in 2016. CMP will plan the relevant processing timelines related to the aforementioned rules and procedures, and to announce relevant progress at BOD meetings.
6. To fulfill corporate governance and to strengthen the functional effectiveness of the BOD in practice, CMP has completed the performance evaluation of the BOD in 2020 in accordance with the Regulations Governing Performance Evaluation for the Board of Directors (for details, please refer to III. Description of the Implementation of the Evaluation of the BOD). The overall performance of the BOD is in good condition. The Bod has, in accordance with the Standard Operating Procedure for Handling Directors' Requirements formulated in 2019, assisted Directors in performing their duties and improve the efficiency of the BOD.

**(II) Implementation of the Audit Committee:**

The Audit Committee of the consolidated company consists of the entire independent directors and is in charge of supervising the fair presentation of the consolidated company's financial statements; the appointment (and dismissal) of auditing CPAs and their independence and performance; effective implementation of the consolidated company's internal control; the consolidated company's compliance with relevant laws and regulations; and the consolidated company's management on existing or potential risks.

Its major functions include the following:

1. Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters bearing on the personal interest of a director.
5. Material assets or derivatives trading.
6. Material loaning of funds, and provision of endorsements/guarantees.
7. Offering, issuance or private placement of any equity based securities.
8. Appointment, discharge or compensation of a certified public accountant (CPA).
9. Appointment or discharge of a finance manager, accounting manager or chief internal auditor.
10. The annual financial statements were signed or sealed by the Chairman, managers, and accounting manager while the second quarter financial statements were audited by CPAs who attested to their accuracy.
11. Other significant matters set forth by the Company or the competent authority.

A total of 5 (A) Audit Committee meetings were held in 2020. The attendance of the Independent Directors was as follows:

| Title                | Name            | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Remark |
|----------------------|-----------------|--------------------------|----------|---------------------------|--------|
| Independent Director | LIAO, Liou Yi   | 4                        | 1        | 80%                       |        |
| Independent Director | CHANG, Ming Jye | 5                        | 0        | 100%                      |        |
| Independent Director | LIN, Jung Chuen | 5                        | 0        | 100%                      |        |

Other matters:

- I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

1. Matters referred to in Article 14-5 of the Securities and Exchange Act

| Meeting Date (Term)                         | Contents of Motions                                                                                 | All Independent Directors' Opinions                    | CMP's Handling of Independent Directors Opinions | Matter Listed in Article 14-5 of the Securities and Exchange Act |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------|
| 2020/03/26<br>(1st Audit Committee Meeting) | ● Proposed 2019 annual operating report, financial reports, and CPA audited reports for discussion. | ● Approved by all Independent Directors in attendance. | -                                                | ✓                                                                |



| Meeting Date<br>(Term)                      | Contents of Motions                                                                                                                                                    | All Independent<br>Directors' Opinions                                                 | CMP's Handling<br>of Independent<br>Directors<br>Opinions      | Matter Listed<br>in Article 14-5<br>of the<br>Securities and<br>Exchange Act |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------------------|
|                                             | ● Proposal of 2019 Earnings Appropriation of CMP for resolution.                                                                                                       | ● Approved by all Independent Directors in attendance.                                 | -                                                              | -                                                                            |
|                                             | ● Proposed the appointment of CPAs for 2020 for discussion.                                                                                                            | ● Approved by all Independent Directors in attendance.                                 | -                                                              | ✓                                                                            |
|                                             | ● Proposed the endorsement and guarantees of NTD 250 million based on the shareholding percentage for The Splendor Hospitality International Co., Ltd. for resolution. | ● Approved by all Independent Directors in attendance.                                 | -                                                              | ✓                                                                            |
|                                             | ● Proposed the 2019 Statement of Internal Control System for discussion.                                                                                               | ● Approved by all Independent Directors in attendance.                                 | -                                                              | ✓                                                                            |
|                                             | ● Proposed amendments to the Company's Audit Committee Organizational Rules                                                                                            | ● Approved by all Independent Directors in attendance.                                 | -                                                              | -                                                                            |
|                                             | ● Proposed the amendments to Internal Control System for resolution.                                                                                                   | ● Approved by all Independent Directors in attendance.                                 | -                                                              | ✓                                                                            |
|                                             | ● Proposal of Amendments to the Internal Audit Implementation Rules for resolution.                                                                                    | ● Approved by all Independent Directors in attendance.                                 | -                                                              | -                                                                            |
| 2020/05/11<br>(2nd Audit Committee Meeting) | ● Proposed 2020 Q1 consolidated financial statements for discussion.                                                                                                   | ● Inquiries and discussions.<br>● Approved by all Independent Directors in attendance. | ● The questions raised by Independent Directors were answered. | -                                                                            |
|                                             | ● Proposed the endorsement and guarantees of NTD 110 million for the Sunflower Investment Co., Ltd. for resolution.                                                    | ● Inquiries and discussions.<br>● Approved by all Independent Directors in attendance. | ● The questions raised by Independent Directors were answered. | ✓                                                                            |

| Meeting Date<br>(Term)                      | Contents of Motions                                                                                                                                                               | All Independent<br>Directors' Opinions                                                                                                     | CMP's Handling<br>of Independent<br>Directors<br>Opinions                                                      | Matter Listed<br>in Article 14-5<br>of the<br>Securities and<br>Exchange Act |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                             | <ul style="list-style-type: none"> <li>Proposed the endorsement and guarantees of NTD 50 million for the subsidiary Shangrila Tourism Co., Ltd. for resolution.</li> </ul>        | <ul style="list-style-type: none"> <li>Inquiries and discussions.</li> <li>Approved by all Independent Directors in attendance.</li> </ul> | <ul style="list-style-type: none"> <li>The questions raised by Independent Directors were answered.</li> </ul> | ✓                                                                            |
|                                             | <ul style="list-style-type: none"> <li>Proposed the endorsement and guarantees of NTD 53,615,100 for the subsidiary The Hotel National Company Limited for resolution.</li> </ul> | <ul style="list-style-type: none"> <li>Inquiries and discussions.</li> <li>Approved by all Independent Directors in attendance.</li> </ul> | <ul style="list-style-type: none"> <li>The questions raised by Independent Directors were answered.</li> </ul> | ✓                                                                            |
|                                             | <ul style="list-style-type: none"> <li>Proposed the amendments to Internal Control System for resolution.</li> </ul>                                                              | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                     | -                                                                                                              | ✓                                                                            |
|                                             | <ul style="list-style-type: none"> <li>Proposal of Amendments to the Internal Audit Implementation Rules for resolution.</li> </ul>                                               | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                     | -                                                                                                              | -                                                                            |
|                                             | <ul style="list-style-type: none"> <li>Proposal of 2019 Earnings Appropriation for resolution.</li> </ul>                                                                         | <ul style="list-style-type: none"> <li>Inquiries and discussions.</li> <li>Approved by all Independent Directors in attendance.</li> </ul> | <ul style="list-style-type: none"> <li>The questions raised by Independent Directors were answered.</li> </ul> | -                                                                            |
| 2020/08/11<br>(3rd Audit Committee Meeting) | <ul style="list-style-type: none"> <li>Proposed 2020 Q2 consolidated financial statements for discussion.</li> </ul>                                                              | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                     | -                                                                                                              | ✓                                                                            |
|                                             | <ul style="list-style-type: none"> <li>Proposal of adjustment of organizational structure for review.</li> </ul>                                                                  | <ul style="list-style-type: none"> <li>Inquiries and discussions.</li> <li>Approved by all Independent Directors in attendance.</li> </ul> | <ul style="list-style-type: none"> <li>The questions raised by Independent Directors were answered.</li> </ul> | -                                                                            |
| 2020/11/10<br>(4th Audit Committee Meeting) | <ul style="list-style-type: none"> <li>Proposed 2020 Q3 consolidated financial statements for discussion.</li> </ul>                                                              | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                     | -                                                                                                              | -                                                                            |
|                                             | <ul style="list-style-type: none"> <li>Proposed amendments to the rules for implementation of internal control system</li> </ul>                                                  | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                     | -                                                                                                              | ✓                                                                            |

| Meeting Date<br>(Term)                            | Contents of Motions                                                                                                                                                                                                             | All Independent<br>Directors' Opinions                                                                                                     | CMP's Handling<br>of Independent<br>Directors<br>Opinions                                                      | Matter Listed<br>in Article 14-5<br>of the<br>Securities and<br>Exchange Act |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                                   | described in Other<br>Management: Management<br>of Financial Statement<br>Preparation Process.                                                                                                                                  |                                                                                                                                            |                                                                                                                |                                                                              |
|                                                   | <ul style="list-style-type: none"> <li>Proposed amendments to the rules for implementation of internal audit described in Other Management: Management of Financial Statement Preparation Process.</li> </ul>                   | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                     | -                                                                                                              | -                                                                            |
|                                                   | <ul style="list-style-type: none"> <li>Proposed 2021 audit plans for resolution.</li> </ul>                                                                                                                                     | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul>                                     | -                                                                                                              | -                                                                            |
| 2020/12/17<br>(5th Audit<br>Committee<br>Meeting) | <ul style="list-style-type: none"> <li>Proposed the purchase of land around Houlongzi Section of Taichung to revive the existing land in Taichung and promote the follow-up overall development plan for discussion.</li> </ul> | <ul style="list-style-type: none"> <li>Inquiries and discussions.</li> <li>Approved by all Independent Directors in attendance.</li> </ul> | <ul style="list-style-type: none"> <li>The questions raised by Independent Directors were answered.</li> </ul> | ✓                                                                            |

2. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.

II. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.

III. Communications between the Independent Directors, the Company's chief internal auditor and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.).

1. The Audit Office delivers a monthly audit report and quarterly tracking report to the Independent Directors. Inquiries or instructions from the Independent Directors would be addressed through email, phone calls, or scheduled meetings. In addition, the Audit Office will report the most updated internal audit operations based on the instructions thereof, at the quarterly Board meetings and Audit Committee meetings. Upon extraordinary situations or significant anomalies, the Audit Office will report immediately to the Independent Directors. For 2020, there were no above-mentioned special or major abnormal events. The Company's Independent Directors have maintained optimal communication with the head of internal audit.

2. The Company has established an Audit Committee composed of all Independent Directors. The external auditors present the quarterly (or annual) result of review (or audit) on the financial statements and other matters that require communication per laws and regulations. Upon extraordinary situations or significant anomalies, the external auditors will report immediately to the Audit Committee. The overall communication between Independent Directors and the external auditors is fair.
3. Matters discussed between the Independent Directors, the Company's chief internal auditor and CPAs in 2020:

Meetings amongst the Audit Committee, CPAs and Units in Charge of Corporate Governance

| Meeting Date<br>(Term)                            | Communication with the CPAs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | All Independent<br>Directors' Opinions                                                                                                                           | CMP's Handling of<br>Independent Directors<br>Opinions                                                                                                                                        |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2020/03/26<br>(1st Audit<br>Committee<br>Meeting) | <ul style="list-style-type: none"> <li>● Review of audit results of annual parent only/consolidated financial statements for 2019, follow-up reports on matters resolved in the last meeting, and other suggestions and reminders.</li> <li>● Provisions on self-compiled financial reports of TWSE listed and TPEx listed companies and examination by competent authorities.</li> <li>● Impacts of COVID-19 on financial statements.</li> <li>● Measures for deduction of undistributed surplus and application for tax refund.</li> <li>● Updates on important accounting standards or explanation letters, certification laws, and tax laws and regulations.</li> </ul> | <ul style="list-style-type: none"> <li>● Inquiries and discussions.</li> <li>● Proposed implement the CPAs' recommendations and heed their reminders.</li> </ul> | <ul style="list-style-type: none"> <li>● Answered the Independent Directors' inquiries with the CPAs.</li> <li>● Implemented the CPAs' recommendations and heeded their reminders.</li> </ul> |
| 2020/05/11<br>(2nd Audit<br>Committee<br>Meeting) | <ul style="list-style-type: none"> <li>● Review of 2020 Q1 consolidated financial statements, follow-up reports on matters resolved in the last meeting, and other suggestions and reminders.</li> <li>● Updates on important securities management laws and regulations, and tax laws and regulations</li> <li>● Interpretative regulations governing income tax for profit-seeking enterprises.</li> </ul>                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>● Inquiries and discussions.</li> <li>● Proposed implement the CPAs' recommendations and heed their reminders.</li> </ul> | <ul style="list-style-type: none"> <li>● Answered the Independent Directors' inquiries with the CPAs.</li> <li>● Implemented the CPAs' recommendations and heeded their reminders.</li> </ul> |
| 2020/08/11<br>(3rd Audit<br>Committee<br>Meeting) | <ul style="list-style-type: none"> <li>● Review of 2020 Q2 consolidated financial statements, follow-up reports on matters resolved in the last meeting, and other suggestions and reminders.</li> <li>● Concerns of competent authorities.</li> <li>● Updates on important accounting</li> </ul>                                                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>● Inquiries and discussions.</li> <li>● Proposed implement the CPAs' recommendations</li> </ul>                           | <ul style="list-style-type: none"> <li>● Answered the Independent Directors' inquiries with the CPAs.</li> <li>● Implemented the CPAs'</li> </ul>                                             |

| Meeting Date<br>(Term)                      | Communication with the CPAs                                                                                                                                                                                                                                                                        | All Independent<br>Directors' Opinions                                                                                                                           | CMP's Handling of<br>Independent Directors<br>Opinions                                                                                                                                        |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                             | standards, securities management laws and regulations, and tax laws and regulations (including the accounting impact of Government Relief for COVID-19)                                                                                                                                            | and heed their reminders.                                                                                                                                        | recommendations and heeded their reminders.                                                                                                                                                   |
| 2020/11/10<br>(4th Audit Committee Meeting) | <ul style="list-style-type: none"> <li>● Review of 2020 Q3 consolidated financial statements, follow-up reports on matters resolved in the last meeting, and other suggestions and reminders.</li> <li>● Concerns of competent authorities.</li> <li>● Updates of Important Regulations</li> </ul> | <ul style="list-style-type: none"> <li>● Inquiries and discussions.</li> <li>● Proposed implement the CPAs' recommendations and heed their reminders.</li> </ul> | <ul style="list-style-type: none"> <li>● Answered the Independent Directors' inquiries with the CPAs.</li> <li>● Implemented the CPAs' recommendations and heeded their reminders.</li> </ul> |

#### Audit Committee

| Meeting Date<br>(Term)                      | Communication with chief internal auditor                                         | All Independent<br>Directors' Opinions                 | CMP's Handling of<br>Independent<br>Directors Opinions |
|---------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| 2020/03/26<br>(1st Audit Committee Meeting) | ● Reported on the top ten internal audit results of the 2019 Q4 Group audit.      | Noted.                                                 | -                                                      |
|                                             | ● Reported on the implementation of the 2019 Q4 audit.                            | Noted.                                                 | -                                                      |
|                                             | ● Reviewed the 2019 Statement of Internal Control System.                         | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                             | ● Reviewed the amendments Internal Control System for resolution.                 | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                             | ● Reviewed the amendments the Internal Audit Implementation Rules for resolution. | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                             | ● Response COVID-19 pandemic.                                                     | ● The auditing unit shall check the                    | ● In accordance with the                               |

| Meeting Date<br>(Term)                      | Communication with chief internal auditor                                    | All Independent<br>Directors' Opinions                                                                     | CMP's Handling of<br>Independent<br>Directors Opinions                                                                                                                |
|---------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                             |                                                                              | temporary management measures set up by the company in response the pandemic situation on a project basis. | suggestion of independent directors, the Company will conduct an audit on the implementation of various temporary management measures related the pandemic situation. |
| 2020/05/11<br>(2nd Audit Committee Meeting) | ● Reported on the top ten internal audit results of the 2020 Q1 Group audit. | Noted.                                                                                                     | -                                                                                                                                                                     |
|                                             | ● Reported on the implementation of the 2020 Q1 audit.                       | Noted.                                                                                                     | -                                                                                                                                                                     |
| 2020/08/11<br>(3rd audit Committee Meeting) | ● Reported on the top ten internal audit results of the 2020 Q2 Group audit. | ● Asked the subsidiary report on the follow-up of the outstanding legal events at the next meeting.        | ● Executed on the Independent Directors' recommendations.                                                                                                             |
|                                             | ● Reported on the implementation of the 2020 Q2 audit plan.                  | Noted.                                                                                                     | -                                                                                                                                                                     |
| 2020/11/10<br>(4th Audit Committee Meeting) | ● Reported on the top ten major results of the 2020 Q3 Group audit.          | Noted.                                                                                                     | -                                                                                                                                                                     |
|                                             | ● Reported on the implementation of the 2020 Q3 audit.                       | Noted.                                                                                                     | -                                                                                                                                                                     |
|                                             | ● Reviewed the amendments Internal Control System for resolution.            | ● Approved by all Independent Directors in attendance.                                                     | -                                                                                                                                                                     |
|                                             | ● Reviewed the Internal Audit Implementation Rules for resolution.           | ● Approved by all Independent Directors in attendance.                                                     | -                                                                                                                                                                     |
|                                             | ● Reviewed 2021 audit plans.                                                 | ● Approved by all Independent                                                                              | -                                                                                                                                                                     |

| Meeting Date<br>(Term) | Communication with chief internal auditor | All Independent<br>Directors' Opinions | CMP's Handling of<br>Independent<br>Directors Opinions |
|------------------------|-------------------------------------------|----------------------------------------|--------------------------------------------------------|
|                        |                                           | Directors in<br>attendance.            |                                                        |

Matters listed above has been approved by the Audit Committee members. No objections raised by the Independent Directors in attendance.

#### Board Meetings

| Meeting Date<br>(Term)               | Communication with chief internal auditor                                         | All Independent<br>Directors' Opinions                 | CMP's Handling of<br>Independent<br>Directors Opinions |
|--------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| 2020/03/30<br>(1st Board<br>Meeting) | ● Reported on the implementation of the 2019 Q4 audit.                            | Noted.                                                 | -                                                      |
|                                      | ● Reviewed the 2019 Statement of Internal Control System.                         | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Reviewed the amendments the Company's Internal Control System.                  | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Reviewed the amendments the Internal Audit Implementation Rules for resolution. | ● Approved by all Independent Directors in attendance. | -                                                      |
| 2020/05/12<br>(2nd Board<br>Meeting) | ● Reported on the implementation of the 2020 Q1 audit.                            | Noted.                                                 | -                                                      |
|                                      | ● Reviewed the amendments the Company's Internal Control System.                  | ● Approved by all Independent Directors in attendance. | -                                                      |
|                                      | ● Reviewed the amendments the Internal Audit Implementation Rules for resolution. | ● Approved by all Independent Directors in attendance. | -                                                      |
| 2020/08/13<br>(4th Board<br>Meeting) | ● Reported on the implementation of the 2020 Q2 audit plan.                       | Noted.                                                 | -                                                      |
| 2020/11/12<br>(5th Board<br>Meeting) | ● Reported on the implementation of the 2020 Q3 audit plan.                       | Noted.                                                 | -                                                      |
|                                      | ● Reviewed the amendments the Company's Internal Control System.                  | ● Approved by all Independent                          | -                                                      |

|  |                                                                                                                                   |                                                                                                        |   |
|--|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|---|
|  |                                                                                                                                   | Directors in attendance.                                                                               |   |
|  | <ul style="list-style-type: none"> <li>Reviewed the amendments the Internal Audit Implementation Rules for resolution.</li> </ul> | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul> | - |
|  | <ul style="list-style-type: none"> <li>Reviewed 2021 audit plans.</li> </ul>                                                      | <ul style="list-style-type: none"> <li>Approved by all Independent Directors in attendance.</li> </ul> | - |



**(III) Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission**

| Evaluation Item                                                                                                                                                                             | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                  | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                             | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                     |
| I. Has the Company established and disclosed its code of practice on corporate governance based on "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?          | V                     |    | Based on Corporate Governance Practice Principles for TWSE/GTSM Listed Companies, CMP has established a Corporate Governance Best Practice Principles. On March 30, 2021, the BOD resolved the fourth amendments to the Corporate Governance Best Practice Principles and disclosed them on CMP website and MOPS for public inquiries.                                                                                           | No deviation                                                                                                                                                        |
| II. Shareholding structure & shareholders' rights                                                                                                                                           |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                     |
| (I) Did the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure? | V                     |    | (I) A specific chapter on Shareholder's Rights was established within the CMP's Corporate Governance Best Practice Principles. The Spokesperson, Acting Spokesperson, and Secretariat of CMP are equipped to handle shareholder matters such as proposals and disputes, etc.                                                                                                                                                     | No deviation                                                                                                                                                        |
| (II) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?           | V                     |    | (II) 1. CMP has a list of major shareholders and who ultimately controls them.<br>2. According to Article 25 of the Securities and Exchange Act, CMP shall disclose any shareholding changes at the insider shareholders monthly, including Directors, Supervisors, President, and major shareholders who owned 10% or more of CMP's total outstanding shares, at MOPS as designated by the Securities and Futures Bureau (SFB). | No deviation                                                                                                                                                        |

| Evaluation Item                                                                                                                                     | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                     | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                     |
| (III) Did the Company establish and enforce risk control and firewall systems with its affiliated businesses?                                       | V                     |    | (III) There are procedures in place for management of related party transactions, guarantees and endorsements, loans etc. for CMP and affiliated companies. Also, according to the Regulations Governing Establishment of Internal Control Systems by Public Companies promulgated by the FSC, CMP established the Regulations Governing the Supervision and Management over Subsidiaries to better manage risks from the subsidiaries.                                                                                                                                     | No deviation                                                                                                                                                        |
| (IV) Did the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market? | V                     |    | (IV) CMP has established the following internal control related procedures:” Prevention of Insider Trading”, “Guidelines for the Adoption of Codes of Ethical Conduct” and “Procedures for Ethical Management and Guidelines for Conduct”.<br><br>In 2020, the Company conducted education and training on the revised provisions of "Code of Integrity Management", "Procedures for Ethical Management and Guidelines for Conduct" and current affairs analysis in Qinmei Hsinchu Factory, Taichung Shopping Mall and Taipei Head Office, with a total of 91 participants. | No deviation                                                                                                                                                        |
| III. Organization and responsibilities of the Board of Directors                                                                                    |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                     |

| Evaluation Item                                                                                               | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|---------------------------------------------------------------------------------------------------------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                               | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                     |
| (I) Has a policy of diversity been established and implemented for the composition of the board of directors? | V                     |    | <p>(I) On March 30, 2021, the BOD resolved the fourth amendments to the Corporate Governance Best Practice Principles.</p> <p>1.BOD members' diversity:</p> <p>According to item 3, Article 20 of CMP's Corporate Governance Code of Practice, Directors should generally possess the knowledge, skills and literacy necessary to perform their duties. In order to achieve the ideal goal of Governance, the composition of the BOD should be considered to be diversified. In addition to that directors who are also managers of CMP should not exceed one-third of the number of directors, appropriate diversity policy should be prepared based on CMP's own operation, operation type and development needs, including but not limited to the following two major standards:</p> <p>I. Basic requirements and values:</p> <p>Gender, age, nationality, and culture.</p> <p>II. Professional knowledge and skills:</p> <p>professional background (such as law, accounting, industry, finance, marketing or technology),</p> <p>professional skills and industry experience.</p> <p>All members of the board shall have the knowledge, skills, and experience</p> | No deviation                                                                                                                                                        |

| Evaluation Item                                                                | Implementation Status                                                                                                                                          |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |           |                                                                                |                                                                                                                                                                |                                       |                                      |  |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|--|
|                                                                                | Yes                                                                                                                                                            | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                     |           |                                                                                |                                                                                                                                                                |                                       |                                      |  |
|                                                                                |                                                                                                                                                                |    | <p>necessary to perform their duties. To achieve the ideal goal of corporate governance, the entire BOD shall possess the following abilities:</p> <p>I. Business judgment ability.</p> <p>II. Accounting and financial analysis ability.</p> <p>III. Business management ability.</p> <p>IV. Crisis management ability.</p> <p>V. Knowledge of the industry.</p> <p>VI. International market perspective.</p> <p>VII. Leadership.</p> <p>VIII. Decision-making ability.</p> <p>2. The implementation of Board diversity:</p> <p>Current BOD members include two female Directors, and details of Board diversity are as follows:</p> <table> <tr> <th>Core projects of diversity</th> <th>Directors</th> </tr> <tr> <td>Industry experience, business management, leadership decision-making expertise</td> <td>Director LIN, Ting Fung, Director TSAO, Ming Hong, Director KING, Fong Tien, Director WU, Shu Chuan, Director HO, Cheng Yu, Independent Director LIAO, Liou Yi</td> </tr> <tr> <td>Business administration, economic and</td> <td>Independent Director CHANG, Ming Jye</td> </tr> </table> | Core projects of diversity                                                                                                                                          | Directors | Industry experience, business management, leadership decision-making expertise | Director LIN, Ting Fung, Director TSAO, Ming Hong, Director KING, Fong Tien, Director WU, Shu Chuan, Director HO, Cheng Yu, Independent Director LIAO, Liou Yi | Business administration, economic and | Independent Director CHANG, Ming Jye |  |
| Core projects of diversity                                                     | Directors                                                                                                                                                      |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                     |           |                                                                                |                                                                                                                                                                |                                       |                                      |  |
| Industry experience, business management, leadership decision-making expertise | Director LIN, Ting Fung, Director TSAO, Ming Hong, Director KING, Fong Tien, Director WU, Shu Chuan, Director HO, Cheng Yu, Independent Director LIAO, Liou Yi |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                     |           |                                                                                |                                                                                                                                                                |                                       |                                      |  |
| Business administration, economic and                                          | Independent Director CHANG, Ming Jye                                                                                                                           |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                     |           |                                                                                |                                                                                                                                                                |                                       |                                      |  |

| Evaluation Item                                                            | Implementation Status                |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |  |                                                                            |                                      |                                                 |                      |  |
|----------------------------------------------------------------------------|--------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------|----------------------|--|
|                                                                            | Yes                                  | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                     |  |                                                                            |                                      |                                                 |                      |  |
|                                                                            |                                      |    | <table><tr><td>financial expertise</td><td></td></tr><tr><td>Business administration professional ability, operational judgment ability</td><td>Independent Director LIN, Jung Chuen</td></tr><tr><td>Industry experience, expertise in Legal Affairs</td><td>Director HO, Pei Fen</td></tr></table> <p>33% of CMP’s Directors are employees, 33% of Directors are Independent Directors, and female Directors account for 22%. Among them, one Independent Director has the tenure of 3-6 years, and two Independent Directors have the tenure of 6-9 years. Four Directors are over 70 years old. Three Directors are between 60 and 69 years old, and two Directors are under 60 years old.</p> <p>CMP’s goals for diversity are that female Directors account for more than 20%, and that Board members have at least three different facets of professional skills.</p> <p>As listed above, it is obvious that the BOD of CMP is diversified.</p> <p>3. Further information concerning BOD</p> | financial expertise                                                                                                                                                 |  | Business administration professional ability, operational judgment ability | Independent Director LIN, Jung Chuen | Industry experience, expertise in Legal Affairs | Director HO, Pei Fen |  |
| financial expertise                                                        |                                      |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                     |  |                                                                            |                                      |                                                 |                      |  |
| Business administration professional ability, operational judgment ability | Independent Director LIN, Jung Chuen |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                     |  |                                                                            |                                      |                                                 |                      |  |
| Industry experience, expertise in Legal Affairs                            | Director HO, Pei Fen                 |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                     |  |                                                                            |                                      |                                                 |                      |  |

| Evaluation Item                                                                                                                                                                                                                                                                                     | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                     | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                     |
|                                                                                                                                                                                                                                                                                                     |                       |    | diversity policy can be found on CMP's website under Corporate Governance and on the MOPS website.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                     |
| (II) In addition to Salary and Remuneration Committee and Audit Committee established according to law, has the company voluntarily established other functional committees?                                                                                                                        |                       | V  | (II) Aside from the Audit Committee and Remuneration Committee, CMP has no other functional committees currently.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Other functional committees will only be established based on future operation and scale.                                                                           |
| (III) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually? Does it report the results of the performance evaluation to the BOD and use them as a reference for each Director's remuneration and nomination of term renewal? | V                     |    | (III) 1. The Regulations Governing Performance Evaluation for the Board of Directors has been approved on May 10, 2016, and its latest version was approved by the BOD on December 8, 2020.<br>2. CMP has concluded its annual evaluation of performance of BOD, individual Directors and functional committees during January 1, 2020 to December 31, 2020 according to the Regulations Governing Performance Evaluation for the Board of Directors, and has reported the results to the Board meeting on March 30, 2021. The five main criterion of performance evaluation of CMP's BOD:<br>(1) Their degree of participation in CMP's operations.<br>(2) Improvement in the quality of decision making by the BOD.<br>(3) The composition and structure of the BOD. | No deviation                                                                                                                                                        |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                     |
|                 |                       |    | <p>(4) Selection and continuing education of the directors</p> <p>(5) Internal control.</p> <p>The six main criterion of performance evaluation of CMP's individual Directors:</p> <p>(1) Their grasp of CMP's goals and missions.</p> <p>(2) Their recognition of Director's responsibilities.</p> <p>(3) Their degree of participation in CMP's operations.</p> <p>(4) Their internal relationship management and communication.</p> <p>(5) Their expertise and continuing education.</p> <p>(6) Internal control.</p> <p>The five main criterion of performance evaluation of CMP's functional committees:</p> <p>(1) Their degree of participation in CMP's operations.</p> <p>(2) Their recognition of the duties of the functional committees.</p> <p>(3) Improvement in the quality of decision making by the functional committees.</p> <p>(4) The composition of the functional committees and the election of their members.</p> <p>(5) Internal control.</p> <p>CMP's Secretariat of BOD is the</p> |                                                                                                                                                                     |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                     |
|                 |                       |    | <p>coordinating executive unit, while the BOD and the discussion units of each Functional Committee are the evaluation and execution units. The evaluation results shall be recorded by the Secretariat after all the information were collected by the Secretariat, then submitted to BOD for review and improvement.</p> <p>When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.</p> <p>After completing the above assessments, the evaluation of performance of BOD, individual Directors and functional committees for 2020 scored between 93.88 and 100 points. The overall operation of BOD and functional committees (Audit Committee and Remuneration Committee) is excellent.</p> |                                                                                                                                                                     |



| Evaluation Item                                                                               | Implementation Status |                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |        |                            |                                                                                               |    |     |                                                       |    |     |              |
|-----------------------------------------------------------------------------------------------|-----------------------|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------------|-----------------------------------------------------------------------------------------------|----|-----|-------------------------------------------------------|----|-----|--------------|
|                                                                                               | Yes                   | No                         | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                     |        |                            |                                                                                               |    |     |                                                       |    |     |              |
| (IV) Has the Company implemented evaluation on the independence of the CPAs regularly?        | V                     |                            | <div> <div> (IV) CMP evaluates its Independent Auditors once a year. The assessment items are as follows, and the results have been submitted to the Audit Committee on March 26, 2021 and proposed to the BOD for approval on March 30, 2021. According to the evaluation of CMP, the Certified Accountants TSENG, Kuo Yang and CHIH, Shih Chin from KPMG Taiwan meet all Evaluation Standards for the Independence of CPAs and both are fully qualified to be CMP’s Independent Auditors. The accounting firm also issued an independent statement, and the replacement of Independent Auditors shall be abided the relevant regulations. </div> <div> Evaluation Standards for the Independence of CPAs: <table> <tr> <th>Evaluation Item</th> <th>Rating</th> <th>Meet independence criteria</th> </tr> <tr> <td>1. Do the appointed CPAs have direct or indirect significant financial relationship with CMP?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Do the appointed CPAs have financing or guarantees</td> <td>No</td> <td>Yes</td> </tr> </table> </div> </div> | Evaluation Item                                                                                                                                                     | Rating | Meet independence criteria | 1. Do the appointed CPAs have direct or indirect significant financial relationship with CMP? | No | Yes | 2. Do the appointed CPAs have financing or guarantees | No | Yes | No deviation |
| Evaluation Item                                                                               | Rating                | Meet independence criteria |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                     |        |                            |                                                                                               |    |     |                                                       |    |     |              |
| 1. Do the appointed CPAs have direct or indirect significant financial relationship with CMP? | No                    | Yes                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                     |        |                            |                                                                                               |    |     |                                                       |    |     |              |
| 2. Do the appointed CPAs have financing or guarantees                                         | No                    | Yes                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                     |        |                            |                                                                                               |    |     |                                                       |    |     |              |

| Evaluation Item | Implementation Status |    |                                                                                                                                                 | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                     |                                                                                                                                                                     |
|                 |                       |    | activities with CMP?                                                                                                                            |                                                                                                                                                                     |
|                 |                       |    | 3. Do the appointed CPAs have close business relationships or potential employment with CMP?                                                    | No Yes                                                                                                                                                              |
|                 |                       |    | 4. Are the appointed CPAs Directors or managers of CMP during the current or most recent two years or have significant influence on the audits? | No Yes                                                                                                                                                              |
|                 |                       |    | 5. Do the appointed CPAs provide non-audit services for CMP that would have a direct impact on the audits?                                      | No Yes                                                                                                                                                              |
|                 |                       |    | 6. Do the appointed CPAs hold shares of CMP?                                                                                                    | No Yes                                                                                                                                                              |
|                 |                       |    | 7. Do the CPAs have any conflicts of interest with CMP?                                                                                         | No Yes                                                                                                                                                              |
|                 |                       |    | 8. Are the appointed CPAs spouses, lineal relatives, or                                                                                         | No Yes                                                                                                                                                              |

| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                       |    | <div>have within two degrees of direct kinship with any CMP's officers?</div> <div>9. Have the appointed CPAs audited or certified the CMP's financial statements for more than 7 years?</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                     |
| IV. Does the TWSE Listed Company have allocated a sufficient number of qualified corporate governance staff and appointed a person in charge of the affairs related to corporate governance (including but not limited to providing information required for Director/Supervisor's operations, assisting Directors and Supervisors in complying with laws and regulations, handling the matters concerning the Board and Annual General Meeting in accordance with the law and making their records)? | V                     |    | On March 30, 2021, the Company passed the resolution of the BOD to set up the "Corporate Governance Supervisor", with MAI, Sheng Wei, the executive Deputy President of the Company, as the corporate governance supervisor. MAI, Sheng Wei has been in charge of legal affairs and financial affairs in public companies for more than three years. In addition, the Company has allocated three corporate governance personnel to assist in corporate governance-related affairs, protect shareholders' rights and interests and strengthen the functions of the board of directors. The main duties of the "Corporate Governance Supervisor" are to provide information required by directors to perform business, assist Directors to comply with laws and regulations, and handle the matters of Meeting of Shareholders and Board Meetings according to law; | No deviation                                                                                                                                                        |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                     |
|                 |                       |    | <p>The operation and implementation status for 2020 Corporate Governance of CMP have been proposed to the Board meeting on March 30, 2021.</p> <p>Implementation status in 2020 is as follows:</p> <p>I. Assisted convention of meetings for BOD, Audit Committee and Annual General Meeting, and released important information on material resolutions after each meeting to ensure the correctness of the content of the re-information to protect investors' transaction information equivalence.</p> <p>II. Drafted the agenda for the BOD and Audit Committee meetings and notified Directors 7 days prior to meetings and provided information on the meetings. Provided prior reminder of recusal when the resolution constituted a conflict of interests, and completed the meeting minutes within 20 days after each meeting.</p> <p>III. Handled the pre-registration of the Annual General Meeting date in accordance with the law; prepared the notice of meeting, the Meeting Handbook, the minutes and the annual report of the Annual General Meeting and announced the declaration within the statutory period.</p> <p>IV. Invited to the Institutional Investor</p> |                                                                                                                                                                     |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                     |
|                 |                       |    | <p>Conference to present CMP's operation overview and established a good communication channel with investors.</p> <p>V. Completed the renewal of liability insurance for Directors, Supervisors and important staff.</p> <p>VI. Periodically convened meetings for communication among the CPAs, Independent Directors, and internal Audit Supervisors to ensure implementation of the internal control system.</p> <p>VII. Implemented the Corporate Governance and complete the annual performance evaluation of the BOD, individual Directors and functional committees pursuant to the Regulations Governing Performance Evaluation for the Board of Directors.</p> <p>VIII. Completed the self-assessment of the 2020 annual corporate governance evaluation.</p> <p>IX. Assisted Directors to apply for their advanced training courses and reach the training hours for the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies".</p> <p>X. Provided information required for the Directors to conduct business.</p> |                                                                                                                                                                     |

| Evaluation Item                                                                                                                                                                                                                                                                                                                        | Implementation Status                                                                                                                                                              |                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |                  |                                                     |                            |                                                                                                                                                                                    |                                                                                                                                                                                                                                            |              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
|                                                                                                                                                                                                                                                                                                                                        | Yes                                                                                                                                                                                | No                                                                                                                                                                                                                                         | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                     |                  |                                                     |                            |                                                                                                                                                                                    |                                                                                                                                                                                                                                            |              |
| V. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of your company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues? | V                                                                                                                                                                                  |                                                                                                                                                                                                                                            | <p>CMP communicates with stakeholders through various channels and presents the results of the negotiation and CMP’s response in the CSR report’s chapter on communication with stakeholders on the management of corporate social responsibility issues. The Corporate Social Responsibility Zone on the official website is for stakeholders’ reference and feedback. Report on relevant communication situations will be reported to the BOD every year.</p> <p>Topics of stakeholders' concern, channels of communication, and method and frequency of response are listed in the following table:</p> <table><tr><th>Stakeholder</th><th>Concerned Issues</th><th>Communication channel and way/frequency of response</th></tr><tr><td>Shareholders/<br/>Investors</td><td><ul style="list-style-type: none"><li>•Economic performance</li><li>•Sustainable development strategies</li><li>•Risk management</li><li>•Occupational health and safety</li></ul></td><td><ul style="list-style-type: none"><li>•Point of contact: Spokesperson: LIN, Ching Yi</li><li>Email: glen@cmp.com.tw</li><li>•Annual General Meeting (annually)</li><li>•Invited to organize Investor Conference to explain about</li></ul></td></tr></table> | Stakeholder                                                                                                                                                         | Concerned Issues | Communication channel and way/frequency of response | Shareholders/<br>Investors | <ul style="list-style-type: none"><li>•Economic performance</li><li>•Sustainable development strategies</li><li>•Risk management</li><li>•Occupational health and safety</li></ul> | <ul style="list-style-type: none"><li>•Point of contact: Spokesperson: LIN, Ching Yi</li><li>Email: glen@cmp.com.tw</li><li>•Annual General Meeting (annually)</li><li>•Invited to organize Investor Conference to explain about</li></ul> | No deviation |
| Stakeholder                                                                                                                                                                                                                                                                                                                            | Concerned Issues                                                                                                                                                                   | Communication channel and way/frequency of response                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                     |                  |                                                     |                            |                                                                                                                                                                                    |                                                                                                                                                                                                                                            |              |
| Shareholders/<br>Investors                                                                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"><li>•Economic performance</li><li>•Sustainable development strategies</li><li>•Risk management</li><li>•Occupational health and safety</li></ul> | <ul style="list-style-type: none"><li>•Point of contact: Spokesperson: LIN, Ching Yi</li><li>Email: glen@cmp.com.tw</li><li>•Annual General Meeting (annually)</li><li>•Invited to organize Investor Conference to explain about</li></ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                     |                  |                                                     |                            |                                                                                                                                                                                    |                                                                                                                                                                                                                                            |              |

| Evaluation Item | Implementation Status |    |             | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof                                |                                                                                                                                                                                                                                                                                                                     |  |
|-----------------|-----------------------|----|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|                 | Yes                   | No | Description |                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                     |  |
|                 |                       |    |             | <ul style="list-style-type: none"> <li>•Talent development and education</li> </ul>                                                                                                                | CMP's operations (at least twice per year) <ul style="list-style-type: none"> <li>•Immediately announce material information (as needed)</li> <li>•Published the email address and phone number of spokesperson on CMP's website to pave way to smooth communications between investors and the Company.</li> </ul> |  |
|                 |                       |    | Customers   | <ul style="list-style-type: none"> <li>•Economic performance</li> <li>•Information Securities Management</li> <li>•Risk management</li> <li>•Raw Materials</li> <li>•Ethical management</li> </ul> | <ul style="list-style-type: none"> <li>•Point of contact: Spokesperson: LIN, Ching Yi</li> <li>Email: glen@cmp.com.tw</li> <li>•Customer satisfaction survey (monthly and in every six months)</li> </ul>                                                                                                           |  |

| Evaluation Item | Implementation Status |    |             | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------|-----------------------|----|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                 |                       |    |             | <ul style="list-style-type: none"> <li>and grievance mechanism</li> <li>•Customer Privacy</li> <li>•Telephone, instant messaging and e-mail (immediately)</li> <li>•Audit (annually)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                 |                       |    | Supplier    | <ul style="list-style-type: none"> <li>•Supplier management</li> <li>•Sustainable development strategies</li> <li>•Information Securities Management</li> <li>•Occupational health and safety</li> <li>•Ethical management and grievance mechanism</li> <li>•Point of contact: Spokesperson: LIN, Ching Yi</li> <li>Email: glen@cmp.com.tw</li> <li>•Supplier Conference (annually)</li> <li>•On-site audit (annually based on the annual business plan of the year)</li> <li>•Written correspondence (monthly)</li> <li>•Meeting and face-to-face reviews (as needed)</li> <li>•Telephone, instant messaging and e-mail (immediately)</li> </ul> |



| Evaluation Item                                                                                                                  | Implementation Status                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                             |  |
|----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|                                                                                                                                  | Yes                                                                                                                                                                                                                        | No                                                                                                                                                                                                                                                                                                                                                                                                                          | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                     |                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                             |  |
|                                                                                                                                  |                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                             | <table><tr><td>Employee</td><td><ul style="list-style-type: none"><li>•Occupational health and safety</li><li>•Employment relations management</li><li>•Economic performance</li><li>•Legal compliance</li><li>•Talent development and education</li></ul></td><td><ul style="list-style-type: none"><li>•Point of contact: Manager Wang from Human Resources Department</li><li>E-mail: hr@cmp.com.tw</li><li>•Family Day (annually)</li><li>•Performance review (monthly and in every six months)</li><li>•Employment Relations Conference (quarterly)</li><li>•Monthly meeting (monthly)</li><li>•E-bulletin (monthly)</li><li>•Employee mailbox, grievance mechanism (as needed)</li></ul></td></tr></table> | Employee                                                                                                                                                            | <ul style="list-style-type: none"><li>•Occupational health and safety</li><li>•Employment relations management</li><li>•Economic performance</li><li>•Legal compliance</li><li>•Talent development and education</li></ul> | <ul style="list-style-type: none"><li>•Point of contact: Manager Wang from Human Resources Department</li><li>E-mail: hr@cmp.com.tw</li><li>•Family Day (annually)</li><li>•Performance review (monthly and in every six months)</li><li>•Employment Relations Conference (quarterly)</li><li>•Monthly meeting (monthly)</li><li>•E-bulletin (monthly)</li><li>•Employee mailbox, grievance mechanism (as needed)</li></ul> |  |
| Employee                                                                                                                         | <ul style="list-style-type: none"><li>•Occupational health and safety</li><li>•Employment relations management</li><li>•Economic performance</li><li>•Legal compliance</li><li>•Talent development and education</li></ul> | <ul style="list-style-type: none"><li>•Point of contact: Manager Wang from Human Resources Department</li><li>E-mail: hr@cmp.com.tw</li><li>•Family Day (annually)</li><li>•Performance review (monthly and in every six months)</li><li>•Employment Relations Conference (quarterly)</li><li>•Monthly meeting (monthly)</li><li>•E-bulletin (monthly)</li><li>•Employee mailbox, grievance mechanism (as needed)</li></ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                     |                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                             |  |
| VI. Has the Company commissioned a professional stock affair agency to manage Annual General Meeting and other relevant affairs? | V                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                             | CMP has appointed the Stock Transfer Agency Department of KGI Securities to process related stock affairs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | No deviation                                                                                                                                                        |                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                             |  |

| Evaluation Item                                                                                                                                                                                                                                                                                         | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                         | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                     |
| VII. Information Disclosure                                                                                                                                                                                                                                                                             |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                     |
| (I) Did the company establish a website to disclose information on financial operations and corporate governance?                                                                                                                                                                                       | V                     |    | (I) CMP has set up a website <a href="http://www.cmp.com.tw">http://www.cmp.com.tw</a> . The website provide financial and operational information and is there dedicated personnel to maintain and update the information.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | No deviation                                                                                                                                                        |
| (II) Did the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)? | V                     |    | (II) 1. CMP convenes, or participates, the Institutional Investor Conference according to actual needs, and places relevant information on CMP's website and public announcements at MOPS.<br>2. Regarding the disclosure of Corporate Governance information, CMP has placed the material information, financial status, Annual General Meeting convening and dividend distribution, internal audit organization and operation, Articles of Association and other information on its website for investors' reference.<br>3. CMP has established its own Chinese & English website and designated personnel responsible for collecting relevant information. CMP's material information shall be publicly announced by the Spokesperson and the briefing materials for institutional investor conferences are disclosed on the CMP's website for public inquiries and also disclose the relevant information on MOPS. | No deviation                                                                                                                                                        |

| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                     |
| (III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year? Does it announce and declare the first, second and third quarter financial reports and operating conditions of each month as soon as possible before the prescribed period?                                                                                                                                                                                         |                       | V  | (III) Currently, CMP publishes and declares annual and quarterly financial reports in accordance with the legally stipulated time limit, as well as its monthly operating situation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | The announcement will be made in advance based on the actual operational adjustments.                                                                               |
| VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors and supervisors of the Company)? | V                     |    | <ol style="list-style-type: none"> <li>1. Employee benefits: CMP has processed the Employee Benefits such as employee welfare measures, retirement systems, advanced studies and various employee rights and interest handled pursuant to the Labor Standards Act. Please refer to "V. Employment Relations Management" in "Chapter 5. Operating Overview" described in the Annual Report for details.</li> <li>2. Employee rights: CMP has set up a Welfare Committee to regularly allocate part of the surplus as employee benefits to take care of the welfare of employees.</li> <li>3. Investor Relations: CMP attaches great importance to the rights and interests of investors and publishes relevant information on MOPS in accordance with regulations.</li> <li>4. Supplier relationship: According to CMP's various operational regulations, the supplier shall be regularly evaluated and be verified from time to time every year. The manufacturer partners shall conduct the contract according to the contract to protect the legal rights of</li> </ol> | No deviation                                                                                                                                                        |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                     |
|                 |                       |    | <p>both parties.</p> <p>5. Rights of Stakeholders: CMP communicates with stakeholders through various channels and presents the results of the negotiation and CMP's response in the CSR report's chapter on communication with stakeholders on the management of corporate social responsibility issues. The Corporate Social Responsibility Zone on the official website is for stakeholders' reference and feedback.</p> <p>6. The further training of CMP's Directors for the year 2020 and as of the date of publication of the annual report is stated in Note 1.</p> <p>7. Implementation of the Company's risk management policies and risk measurement standards: the Company's major proposals on major operational policies, investment cases, endorsement and guarantee, capital loan and bank financing have been evaluated by the appropriate authority and implemented according to the resolutions of the BOD. The Audit Office also draws up its annual audit plan according to the risk evaluation results and implements it, so as to implement the supervision mechanism and control the implementation of various risk management.</p> |                                                                                                                                                                     |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                     |
|                 |                       |    | <p>8. Implementation of consumer or customer protection policy: the perseverance of the casting business in terms of quality has won recognition from customers for many years, and has been awarded several times as the best supplier of customers. In addition, CMP and its subsidiaries have set up procedures for handling customer complaints and have actually implemented them; shopping mall department stores and hotel business departments have set up consumer complaint lines to protect consumer rights.</p> <p>9. Liability insurance for CMP's Directors: liability insurance has been covered for Directors by CMP.</p> <p>10. CMP's managers' participation in continuing education and training related to corporate governance is stated in Note 2.</p> <p>11. Procedures for internal major information processing operations: CMP has set up internal procedures for major information processing operations, and the relevant measures have been placed on CMP's website. All relevant departments and colleagues should deal with possible major information and disclosures, and they should comply with the relevant procedures and laws.</p> |                                                                                                                                                                     |

| Evaluation Item | Implementation Status |    |             | Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description |                                                                                                                                                                     |

IX. Please specify the Company's measures to improve the items listed in the corporate governance review result by Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.

1. 2020 Corporate Governance Evaluation - Improvements Made:

| No.  | Indicator                                                                                                                                                                                                    | No.  | Indicator                                                                                                                            |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|--------------------------------------------------------------------------------------------------------------------------------------|
| 3.15 | Does the Company disclose voluntarily the amount and nature of non-audit public fees paid to Independent Auditor and their affiliated accounting firms on the annual report?                                 | 3.18 | Does the company have set up an English website to disclose the financial operations, business and corporate governance status?      |
| 4.6  | Does the Company formulate human rights protection policies and relevant management procedures referring to International Bill of Human Rights and disclose the information on its website or annual report? | 4.12 | Does the Company formulate policies on energy conservation and carbon reduction, GHG reduction, water reduction or waste management? |

2. Priorities and plans for improvement with items yet to be improved:

| No.  | Indicator                                                                                                                                                                                                                    | No. | Indicator                                                                       |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------------------------------------------------------------------------------|
| 2.21 | Does the Company appoint a Corporate Governance Officer to be responsible for related corporate governance affairs and disclose the scope of functional authority and continuing education on its website and annual report? | 3.2 | Has the Company announced major news and information in English simultaneously? |

Note 1: Progress of training of this Company's Directors in 2020 to the date of publication of this Annual Report:

| Title                                               | Name               | Training Date |            | Training Hours | Organizer                                  | Course Name                                                                                                                                                  |
|-----------------------------------------------------|--------------------|---------------|------------|----------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                     |                    | Start Date    | End Date   |                |                                            |                                                                                                                                                              |
| Chairman/<br>Juristic<br>Person<br>Director<br>Rep. | LIN, Ting<br>Fung  | 2020/07/03    | 2020/07/03 | 3              | Taiwan Investor Relations<br>Institute     | Forging or breaking? Crisis<br>and opportunities                                                                                                             |
|                                                     |                    | 2020/08/07    | 2020/08/07 | 3              | Taiwan Institute of Directors              | Annual Meeting of Taiwan<br>Institute of Directors in<br>2020: The Turning Point of<br>Taiwan's Enterprise<br>Strategy under the Major<br>Pandemic Situation |
|                                                     |                    | 2020/09/19    | 2020/09/19 | 3              | Taiwan Investor Relations<br>Institute     | Corporate Governance-A<br>Good Prescription for<br>Enterprises! Independent<br>Director-Double-edged<br>Sword of Enterprise<br>Development                   |
|                                                     |                    | 2021/02/24    | 2021/02/24 | 2              | Taiwan Institute of Directors              | Looking forward to the road<br>to survival for enterprises<br>under the post-pandemic<br>situation in 2021                                                   |
| Juristic<br>Person<br>Director<br>Rep.              | KING,<br>Fong Tien | 2020/09/10    | 2020/09/10 | 3              | Taiwan Corporate Governance<br>Association | Macro Perspectives of<br>Global Corporate<br>Sustainable Development -<br>From Vision 2050 to Action<br>2020                                                 |
|                                                     |                    | 2020/09/21    | 2020/09/21 | 3              | TWSE, TPEx                                 | "Corporate Governance 3.0<br>- Sustainable Development<br>Roadmap" Summit                                                                                    |
|                                                     |                    | 2020/09/22    | 2020/09/22 | 3              | Taiwan Institute of Directors              | KPMG Leadership<br>Academy Forum:<br>Responding to Drastic<br>Changes and Risks,<br>Improving Corporate<br>Governance                                        |
|                                                     |                    | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance<br>Association | Trends of Digital<br>Technology and Artificial<br>Intelligence and Risk<br>Management                                                                        |

| Title    | Name            | Training Date |            | Training Hours | Organizer                               | Course Name                                                                                      |
|----------|-----------------|---------------|------------|----------------|-----------------------------------------|--------------------------------------------------------------------------------------------------|
|          |                 | Start Date    | End Date   |                |                                         |                                                                                                  |
|          |                 | 2020/10/16    | 2020/10/16 | 3              | TWSE, TPEX                              | 2020 Directors and Supervisors Advocacy for Corporate Governance and Corporate Integrity         |
| Director | HO, Pei Fen     | 2020/09/10    | 2020/09/10 | 3              | Taiwan Corporate Governance Association | Macro Perspectives of Global Corporate Sustainable Development - From Vision 2050 to Action 2020 |
|          |                 | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance Association | Trends of Digital Technology and Artificial Intelligence and Risk Management                     |
| Director | HO, Cheng Yu    | 2020/06/11    | 2020/06/11 | 3              | Securities & Futures Institute          | The Principle and Application of Blockchain                                                      |
|          |                 | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance Association | Trends of Digital Technology and Artificial Intelligence and Risk Management                     |
| Director | WU, Shu Chuan   | 2020/09/10    | 2020/09/10 | 3              | Taiwan Corporate Governance Association | Macro Perspectives of Global Corporate Sustainable Development - From Vision 2050 to Action 2020 |
|          |                 | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance Association | Trends of Digital Technology and Artificial Intelligence and Risk Management                     |
| Director | TSAO, Ming Hong | 2020/09/10    | 2020/09/10 | 3              | Taiwan Corporate Governance Association | Macro Perspectives of Global Corporate Sustainable Development - From Vision 2050 to Action 2020 |
|          |                 | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance Association | Trends of Digital Technology and Artificial Intelligence and Risk Management                     |



| Title                | Name            | Training Date |            | Training Hours | Organizer                               | Course Name                                                                                                           |
|----------------------|-----------------|---------------|------------|----------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
|                      |                 | Start Date    | End Date   |                |                                         |                                                                                                                       |
| Independent Director | LIAO, Liou Yi   | 2020/04/29    | 2020/04/29 | 3              | Securities & Futures Institute          | Accelerator of Enterprise Sustainability -CSR, ESG and SDGS                                                           |
|                      |                 | 2020/05/22    | 2020/05/22 | 3              | Securities & Futures Institute          | Risks and Opportunities of Climate Change and Energy Policy Trends to Enterprise Management                           |
|                      |                 | 2021/02/25    | 2021/02/25 | 3              | Securities & Futures Institute          | Legal risks and responses of directors and supervisors - Material corporate frauds case studies                       |
| Independent Director | LIN, Jung Chuen | 2020/04/29    | 2020/04/29 | 3              | Taiwan Corporate Governance Association | Corporate Operation and Risk Management                                                                               |
|                      |                 | 2020/09/10    | 2020/09/10 | 3              | Taiwan Corporate Governance Association | Macro Perspectives of Global Corporate Sustainable Development - From Vision 2050 to Action 2020                      |
|                      |                 | 2020/09/22    | 2020/09/22 | 3              | Taiwan Institute of Directors           | KPMG Leadership Academy Forum: Responding to Drastic Changes and Risks, Improving Corporate Governance                |
|                      |                 | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance Association | Trends of Digital Technology and Artificial Intelligence and Risk Management                                          |
|                      |                 | 2020/11/05    | 2020/11/05 | 3              | Taiwan Corporate Governance Association | Grasping the Opportunity of Enterprise Transformation-Business Model and Sustainable Development Towards Loop Economy |
| Independent Director | CHANG, Ming Jye | 2020/06/09    | 2020/06/09 | 3              | Taiwan Corporate Governance Association | Criminal Legal Risks and Countermeasures of Corporate Directors and Supervisors - Starting from                       |

| Title | Name | Training Date |            | Training Hours | Organizer                      | Course Name                                                       |
|-------|------|---------------|------------|----------------|--------------------------------|-------------------------------------------------------------------|
|       |      | Start Date    | End Date   |                |                                |                                                                   |
|       |      |               |            |                |                                | the Prevention of Corporate Fraud and Money Laundering Prevention |
|       |      | 2020/06/11    | 2020/06/11 | 3              | Securities & Futures Institute | The Principle and Application of Blockchain                       |

Note 2: Education and Training for Managers Involved in Corporate Governance:

| Title                                                  | Name           | Training Date |            | Training Hours | Organizer                                                | Course Name                                                                                         |
|--------------------------------------------------------|----------------|---------------|------------|----------------|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                                                        |                | Start Date    | End Date   |                |                                                          |                                                                                                     |
| Vice President                                         | TSAO, Chia-Jen | 2020/01/15    | 2020/01/15 | 1.5            | Foundry Division-Administration Department               | AI Automated Decision Support System                                                                |
|                                                        |                | 2020/08/04    | 2020/08/04 | 2              | Head Office: Human Resources & Administration Department | Labor law that must be learned by middle and high-level executives                                  |
|                                                        |                | 2020/12/21    | 2020/12/21 | 1              | Foundry Division-Occupational Safety Department          | Annual education and training of members of the Safety Committee, procurement and change management |
| Executive Vice President/Chief of Corporate Governance | MAI, Sheng Wei | 2020/01/08    | 2020/01/09 | 3.5            | Head Office: Human Resources & Administration Department | Metal Manufacturing-Zoom Workshop of Foundry Engineering                                            |
|                                                        |                | 2020/01/13    | 2020/01/14 | 12             | CommonWealth Magazine                                    | 2020 CommonWealth Economic Forum [Reset]                                                            |
|                                                        |                | 2020/06/12    | 2020/06/16 | 12             | Head Office: Human Resources & Administration Department | Visualization of Accounting Chart Data (1)                                                          |
|                                                        |                | 2020/07/10    | 2020/07/10 | 3              | Head Office: Human Resources & Administration Department | Experience Economy                                                                                  |
|                                                        |                | 2020/09/01    | 2020/09/01 | 2              | Taiwan Investor Relations Institute                      | [Investor Relation Practice Lecture] from IR to enterprise decision-making level                    |
|                                                        |                | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance Association                  | Trends of Digital Technology and Artificial Intelligence and Risk Management                        |

| Title                             | Name          | Training Date |            | Training Hours | Organizer                                                | Course Name                                                                                                                                             |
|-----------------------------------|---------------|---------------|------------|----------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   |               | Start Date    | End Date   |                |                                                          |                                                                                                                                                         |
| Special Assistant to the Chairman | CHEN, Hung-Yi | 2020/07/10    | 2020/07/10 | 3              | Head Office: Human Resources & Administration Department | Experience Economy                                                                                                                                      |
|                                   |               | 2020/08/03    | 2020/08/03 | 2              | Strategic Planning Office                                | Intellectual Property Protection Services                                                                                                               |
|                                   |               | 2020/08/12    | 2020/08/12 | 2              | Head Office: Human Resources & Administration Department | 202007 Yier Sanshi-Taiwan and World Economic Outlook in the Second Half of 2020                                                                         |
|                                   |               | 2020/09/09    | 2020/09/09 | 2              | Head Office: Human Resources & Administration Department | Yier Sanshi-Task Force in Climate-related Financial Disclosures (TCFD)                                                                                  |
|                                   |               | 2020/09/10    | 2020/09/10 | 3              | Taiwan Corporate Governance Association                  | Macro Perspectives of Global Corporate Sustainable Development - From Vision 2050 to Action 2020                                                        |
|                                   |               | 2020/10/14    | 2020/10/14 | 2              | Head Office: Human Resources & Administration Department | 202010 Yier Sanshi-ESG Sustainable Development                                                                                                          |
|                                   |               | 2020/10/14    | 2020/10/14 | 3              | Head Office: Human Resources & Administration Department | Occupational Safety and Health Management and Practice                                                                                                  |
|                                   |               | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance Association                  | Trends of Digital Technology and Artificial Intelligence and Risk Management                                                                            |
| Manager of Finance Department     | HE, Shih Kang | 2020/07/09    | 2020/07/09 | 2.5            | Contemporary Taiwan Development Foundation               | Seminar of "Taiwan and World Economic Outlook in the Second Half of 2020"                                                                               |
|                                   |               | 2020/07/23    | 2020/07/23 | 3              | PricewaterhouseCoopers, Taiwan                           | In the post-pandemic era, the adjustment of Taiwanese businessmen's mainland layout and the deepening reform of mainland policies have advanced further |

| Title                                       | Name            | Training Date |            | Training Hours | Organizer                                                | Course Name                                                                                      |
|---------------------------------------------|-----------------|---------------|------------|----------------|----------------------------------------------------------|--------------------------------------------------------------------------------------------------|
|                                             |                 | Start Date    | End Date   |                |                                                          |                                                                                                  |
|                                             |                 | 2020/12/16    | 2020/12/16 | 2.5            | Taiwan Comprehensive Research Institute                  | Seminar on Economic Prospects of Taiwan and Major Countries in 2021                              |
|                                             |                 | 2020/12/22    | 2020/12/22 | 3.5            | KPMG                                                     | Seminar on Taxation of the Republic of China                                                     |
|                                             |                 | 2021/03/03    | 2021/03/03 | 3              | Taiwan Corporate Governance Association                  | Special Sharing on Performance Evaluation of the BOD and Service Briefing                        |
| Manager of Accounting Department Management | WANG, Pei Chang | 2020/06/12    | 2020/06/16 | 12             | Head Office: Human Resources & Administration Department | Visualization of Accounting Chart Data (1)                                                       |
|                                             |                 | 2020/07/10    | 2020/07/10 | 3              | Head Office: Human Resources & Administration Department | Experience Economy                                                                               |
|                                             |                 | 2020/09/10    | 2020/09/10 | 3              | Taiwan Corporate Governance Association                  | Macro Perspectives of Global Corporate Sustainable Development - From Vision 2050 to Action 2020 |
|                                             |                 | 2020/10/15    | 2020/10/15 | 3              | Taiwan Corporate Governance Association                  | Trends of Digital Technology and Artificial Intelligence and Risk Management                     |
|                                             |                 | 2020/12/28    | 2020/12/29 | 12             | Accounting Research and Development Foundation           | Accounting Manager Continuing Education.                                                         |
|                                             |                 | 2021/02/19    | 2021/02/19 | 8              | Internal Audit Association of the Republic of China      | Auditing Practice for Manufacturing Industrial Material Management System                        |

**(IV) Operational Status of the Remuneration Committee:**

**1. Information of Members of Remuneration Committee Members**

| Title<br>(Note 1)    | Criteria<br><br>Name | Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience                                                                              |                                                                                                                                                                             |                                                                                                                          | Compliance to independence (Note 2) |   |   |   |   |   |   |   |   |    | Number of Other Public Companies of which the Individual Concurrently Serves as a Remuneration Committee Member | Remark |
|----------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---|---|---|---|---|---|---|---|----|-----------------------------------------------------------------------------------------------------------------|--------|
|                      |                      | Currently serving as an instructor or a higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company | Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license. | Work experience necessary for business administer, legal affairs, finance, accounting, or business sector of the Company | 1                                   | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |                                                                                                                 |        |
| Independent Director | LIAO, Liou Yi        |                                                                                                                                                                                            |                                                                                                                                                                             | v                                                                                                                        | v                                   | v | v | v | v | v | v | v | v | v  | 1                                                                                                               |        |
| Independent Director | CHANG, Ming Jye      |                                                                                                                                                                                            |                                                                                                                                                                             | v                                                                                                                        | v                                   | v | v | v | v | v | v | v | v | v  | 0                                                                                                               |        |
| Independent Director | LIN, Jung Chuen      | v                                                                                                                                                                                          |                                                                                                                                                                             | v                                                                                                                        | v                                   | v | v | v | v | v | v | v | v | v  | 2                                                                                                               |        |

Note 1: For title, please identify whether the person is a Director, Independent Director or other.

Note 2: Please tick the boxes below each criterion if a member meets these conditions within two years prior to being elected and during his/her term of service.✓

- (1) Not employed by the Company or its affiliated companies.
- (2) Not serving as a Director or Supervisor of the Company or any affiliated business (This does not apply in cases where the person is an independent director of the Company, its parent company, subsidiaries, or subsidiaries that belong to the same parent company established in pursuant to this law or local laws).
- (3) Not individual shareholders who hold shares, together with those held by their spouses, minor children or held under other's name, in an aggregate amount of more than 1% of the total outstanding shares of the Company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- (4) Not spouses or relatives within the second degree of kinship or lineal relative within the third degree of kinship, or any of the persons in the preceding three subparagraphs.
- (5) Not Directors, Supervisors, or employees of a corporate shareholder who directly holds 5% or more of the total outstanding shares of the Company or the Directors, Supervisors or employees assumed by a representative authorized by a corporate shareholder or Supervisor of the Company in accordance with Article 27 Paragraph 1 or 2, the Company Act (This does not apply in cases where the person is an independent director of the Company, its parent or subsidiary established in pursuant to this law or local laws).
- (6) Not Directors, Supervisors, or employees of a company controlled by a corporate shareholder that holds more than half of the board seats or 50% of the shares with voting rights of the Company (This does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary established in pursuant to this law or local laws).

- (7) They are not directors, supervisors, or employees of a company or institution whose chairman, president or other leader holding an equivalent post concurrently serves as the chairman, president or other leader holding an equivalent post of the Company or is a spouse thereof (this does not apply in cases where the person is an independent director of the company, its parent or subsidiary established in pursuant to this law or local laws).
- (8) Not Directors, Supervisors, managers or shareholders holding 5% or more shares of a specific company or institution that also has financial or business dealing with the Company (This does not apply in the cases where the person is an Independent Director of the company or institution, its parent or subsidiary established in pursuant to this law or local laws, that holds 20% or more and no more than 50% of the total number of issued shares of the public company).
- (9) Not professionals or owners, partners, directors, supervisors, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides the Company or its affiliates with auditing services or commercial, legal, financial, or accounting services whose aggregate amount reached to NTD 0.5 million in the past two years. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act, or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
- (10) No condition defined in Article 30 of the Company Law has appeared.

## 2. Operational Status of the Remuneration Committee

- (1) There are a total of 3 members in the Remuneration Committee.
- (2) Fourth Remuneration Committee Term: 2020/06/22 to 2023/06/21 A total of 3 (A) Remuneration Committee meetings were held in 2020.

The information and attendance of the members was as follows:

| Title    | Name            | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) | Remark |
|----------|-----------------|--------------------------|----------|---------------------------|--------|
| Convener | CHANG, Ming Jye | 3                        | 0        | 100%                      | -      |
| Member   | LIAO, Liou Yi   | 3                        | 0        | 100%                      | -      |
| Member   | LIN, Jung Chuen | 3                        | 0        | 100%                      | -      |

Other matters:

- I. If the Board of Directors disapproves or revises the recommendations of the Compensation Committee, the date and term of the board, the content of the proposal, the result of the Board resolution and the Company's response to the opinions of the members of the Compensation Committee shall be clearly stated (if the Board of Directors approved a compensation plan that is better than the plan recommended by the Compensation Committee, the differential and the reason shall be stated): Not applicable.

II. When any of the members of the Compensation Committee holds objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, term, content of proposals, opinion from every member and the Company's response to the members' opinions shall be provided in detail: Not applicable.

III. Scope of responsibilities of the Remuneration Committee:

CMP Group's Remuneration Committee consists of all Independent Directors, and it aims to implement the spirit of corporate governance and to improve the remuneration system for Directors and managers of CMP Group. The Committee's roles and responsibilities include:

1. Establishing and regularly reviewing the BOD and upper management's performance evaluation in conjunction with the remuneration policies, systems, standards, and structure.
2. Regularly assessing and determining the BOD and upper management's remuneration items and amounts.

IV. The Remuneration Committee regularly reviews and evaluates the compensations for directors and managers.

Discussion matters and results from the Remuneration Committee in 2020, and how the opinions of members of Remuneration Committee were handled:

| Meeting Date<br>(Term)                                | Contents of Motions                                                                                                                  | Resolution                      | The Company's<br>treatment of the<br>Remuneration<br>Committee's<br>opinion |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------|
| 2020/01/15<br>(1st Remuneration<br>Committee Meeting) | ● Proposal for 2019 Distribution of<br>Year-end Bonus for Managers.                                                                  | The resolution<br>was approved. | -                                                                           |
| 2020/03/26<br>(2nd Remuneration<br>Committee Meeting) | ● Proposal for Amount and Method<br>of Employees' Remuneration and<br>Directors' Remuneration for 2019<br>that to be paid this year. | The resolution<br>was approved. | -                                                                           |
|                                                       | ● Proposal for Amount and Method<br>of Independent Directors'<br>Remuneration for 2019 to be paid<br>this year.                      | The resolution<br>was approved. | -                                                                           |
| 2020/07/28<br>(3rd Remuneration<br>Committee Meeting) | ● Proposal of amendments to the<br>Company's "Remuneration<br>Committee Organizational Rules"                                        | The resolution<br>was approved. | -                                                                           |
|                                                       | ● Proposal of amendments to the<br>policy of Remuneration of<br>Directors, Members of                                                | The resolution<br>was approved. | -                                                                           |

|  |                                                                        |                                 |   |
|--|------------------------------------------------------------------------|---------------------------------|---|
|  | Remuneration Committee,<br>Members of Audit Committee and<br>Managers. |                                 |   |
|  | ● CMP's proposal of 2019 annual<br>manager compensation payment.       | The resolution<br>was approved. | - |
|  | ● Proposal of the President's<br>pensions of retirement.               | The resolution<br>was approved. | - |



**(V) Corporate Governance Implementation Status and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof**

| Evaluation Item                                                                                                                                                                                                                             | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                             | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                 |
| I. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to its operations in accordance with the materiality principle and formulate relevant risk management policies or strategies? | V                     |    | Whether in traditional or innovative fields, faced with rapid changes in the external environments, pressures from market competitions, and challenges to the internal operations and management, CMP Group can adapt to the situation at any time only by continuously integrating and evaluating internal and external risks, identifying risk categories, discovering potential risks and opportunities and coping measures for corresponding risks. In terms of internal organizational management, the Audit Department implements internal control mechanism and independent directors supervise accordingly; as for risks caused by external factors, CMP Group relies on the strategies and response measures formulated by related departments, which are also assisted by each professional department, the BOD, or external experts. Please see 3.3 Risk Management on the 2020 CSR Report for the risk evaluations. | No deviation                                                                                                                    |

| Evaluation Item                                                                                                                                                                                                                                                                  | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                  | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                 |
| II. Has the Company established a dedicated unit or appointed a unit for promoting CSR? Is the unit authorized by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors? | V                     |    | CMP formed the Corporate Social Responsibility Full-time Team in 2016, which is composed of the Corporate Governance Team, Employee Care Team, Environmental Sustainability Team, Supply Chain Management Team, Product Quality Management Team, Customer Service Team and Community co-prosperity Team. The CSR Team will be responsible for the CSR policy, structure, management, and implementation and execution of proposals and plans and report to the BOD to review the effectiveness of operations every 6 month. | No deviation                                                                                                                    |
| III. Environmental Issues                                                                                                                                                                                                                                                        |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                 |
| (I) Does the company establish proper environmental management systems based on the characteristics of their industries?                                                                                                                                                         | V                     |    | (I) Regardless of the raw materials, energy use, and even the emissions caused by production and the end of waste disposal, CMP has adopted a number of environmental safety and health management systems and measures and has formulated an Environmental Safety and Health Manual, starting from the source of production, and effectively monitoring and control. CMP has                                                                                                                                               | No deviation                                                                                                                    |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                 |
|                 |                       |    | <p>acquired ISO 14001: 2015 environmental management system certification, with effect from January 10, 2020 to January 10, 2023. At the same time, an Environmental Safety and Health Committee is set up, headed by the top supervisors of each factory, composed of production units, logistics units and environmental security units. Internal audit meetings are held according to relevant needs and specifications, and are held quarterly in Taiwan and weekly in the mainland. Each factory conducts mutual audits from time to time, and conducts hidden danger review and follow-up improvement based on the environment, safety, and health as the main axis, and the follow-up plan is refined to implement environmental safety and health management.</p> |                                                                                                                                 |

| Evaluation Item                                                                                                                                | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                 |
| (II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? | V                     |    | (II) CMP upgrades process technology to change the ratio of raw materials used, reducing the usage of pig iron and replacing it with recycled steel, which consumes waste steel and protects the forest at the same time. In 2020, the recycled steel usage of total output about 173,000 tons has reached 87.79%. The refinement of the process effectively improves the yield of product and material, greatly reduces the consumption of recycled materials and energy in the process, and significantly improves the efficiency of energy and resource use; and the final scraps produced from the process can be recycled to be materials again; reclaimed sand adding to other auxiliary materials will be reused after adjustment; waste such as slag, dust and waste molding , which together account for 90% of the waste, CMP cooperates with manufacturers and research institutes to make them into raw materials for cement and tiles and enter another industrial cycle; sand | No deviation                                                                                                                    |

| Evaluation Item                                                                                                                                                            | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                            | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                 |
|                                                                                                                                                                            |                       |    | core accounting for 9.6% of the waste is made into recycled sand as much as possible and returned to the manufacturing process again.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                 |
| (III) Does the Company assess current and future potential risks and opportunities brought by climate changes? Has it taken measures to respond to climate-related issues? | V                     |    | <p>(III) CMP Group's Metal Manufacturing practices molten iron smelting via electric furnaces. Electricity makes up for most of the energy use; therefore, energy management is an important issue for CMP Group. Failure to appropriately manage energy consumption or to treat emissions and wastes from production will impact the natural environment, and may even exacerbate climate change. The potential risks and opportunities of "Climate Change Risks discovered by CMP Group" and the corresponding measures are as follows:</p> <ol style="list-style-type: none"> <li>1. The frequency and intensity of natural disasters have increased: The Metal Manufacturing Segment has formulated emergency response plans for the risk that abnormal weather such as high temperature in</li> </ol> | No deviation                                                                                                                    |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                 |
|                 |                       |    | <p>summer, low temperature in winter, heavy rainfall, flood, heavy snowfall and typhoon may affect personnel health, damage or shutdown of plant equipment. Besides the overall production, shipment, raw materials, waste, personnel arrangement, it also conducts equipment and factory inspections at ordinary times to keep the relevant equipment in normal operation and use, and carries out disaster prevention drills, so as to improve the response of personnel in the event of an incident</p> <p>The Real Estate Development Segment will improve the safety factor of buildings. Meanwhile, the Lifestyle Hospitality Segment has taken the typhoon situation in the past years into account in its operational planning, and formulated relevant protection contingency plans for various natural disasters.</p> |                                                                                                                                 |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                 |
|                 |                       |    | <p>2. Environmental protection policies and public requirements are increasingly stricter, and the difficulty and cost of solid waste disposal will increase in the future;</p> <p>To reduce the impact of products and manufacturing on the environment, and meet the requirements of laws and regulations, social expectations and future trends, we have adopted five major measures:</p> <p>(1) Continuing to invest in the research and development of new materials and technologies to reduce the impact from the source.</p> <p>(2) Taking the local laws and regulations as the benchmark, and striving to lead the requirements of laws and regulations.</p> <p>(3) Looking for partners to recycle the output waste, return them to the factory for reuse or make them enter</p> |                                                                                                                                 |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                 |
|                 |                       |    | <p>another industry circle.</p> <p>(4) Improving the environmental quality through cross-factory environmental safety and health exchanges and mutual inspection.</p> <p>(5) Strengthening communication with government environmental protection units, surrounding residents and other stakeholders, and promoting mutual understanding.</p> <p>3. Government measures to limit production and seasonal factors to restrict energy use:</p> <p>(1) Replacing energy-consuming equipment, adding intelligent control and other facilities to implement energy management, and striving to maximize energy use efficiency from R&amp;D and manufacturing process.</p> <p>(2) Through various government applications</p> |                                                                                                                                 |



| Evaluation Item                                                                                                                                                                                                                                                            | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                               | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                            | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                 |
|                                                                                                                                                                                                                                                                            |                       |    | <p>and signing with gas companies to guarantee consumption, ensuring to maintain operation and production when the energy is limited due to seasonal factors.</p> <p>(3) Working out the downtime plan with minimum impact, and negotiating and communicating with the local government.</p> <p>(4) Exempted enterprises that have met the limit of production for pollution prevention and control in autumn and winter.</p> |                                                                                                                                 |
| (IV) Does the Company inspect its greenhouse gas (GHG) emissions, water consumption and total weight of wastes in the past two years? Does the Company formulate policies on energy conservation and carbon reduction, GHG reduction, water reduction or waste management? | V                     |    | (IV) The calculation of greenhouse gas emissions presented by CMP in the CSR report is based on ISO 14064-1, IPCC, external expert opinions and the local regulations of the factory as a reference, and is obtained through self-examination. The total amount of greenhouse gas emissions in 2020 was 293,370 metric tons of CO <sub>2</sub> e, which was                                                                   | No deviation                                                                                                                    |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                 |
|                 |                       |    | <p>8.48% lower than the 320,551 metric tons of CO<sub>2</sub>e in 2019.</p> <p>Among them, category one is about 4,853 metric tons of CO<sub>2</sub>e, accounting for 2%; category two is about 288,516 metric tons of CO<sub>2</sub>e, accounting for 98% of the total emissions. The intensity of greenhouse gas emissions in 2020 decreased by 11.86% from the baseline year (2015).</p> <p>At present, each plant site independently commissions an external professional agency to perform energy and greenhouse gas emissions related reviews. In addition to reporting to local authorities, it is also one of the internal reviews of energy consumption and greenhouse gas emissions. The specialized agency is required to take into account issues such as verification in accordance with ISO 14064.</p> <p>Waste management aims at fully grasping the output status of waste as the basic requirement and reducing the amount of output.</p> <p>Every year, together with the waste</p> |                                                                                                                                 |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                 |
|                 |                       |    | <p>output unit, the total amount of the year is estimated as an internal treatment matter assessment, and the actual output is recorded for comparison with the government regulatory system.</p> <p>At present, wastes are divided into general wastes and hazardous wastes. Hazardous wastes are stored in hazardous waste warehouses and controlled by the environmental security unit. Unauthorized entry is not allowed without permission. CMP has looked for qualified recyclers for each item, signed an entrusted disposal contract for disposal, and ensured that the waste is delivered to the correct disposal site through GPS positioning system, online monitoring, on-board inspection, etc. There was no such thing as exporting waste to foreign countries in 2020.</p> <p>Cumulative waste generation in 2020: 103,908 tons, an 8% decrease from the 113,294 tons in 2019. We aspire to implement waste management tasks by setting a 5% annual reduction goal.</p> |                                                                                                                                 |

| Evaluation Item                                                                                                                                             | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                             | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                 |
|                                                                                                                                                             |                       |    | Water management is also a critical part of environmental, energy and resource management. Water consumption amounted to 373,940M <sup>3</sup> in 2020; 569,624 M <sup>3</sup> in 2019. CMP Group plans to implement rainwater collection to replace certain parts of domestic water consumption to control the increase in water use. In addition, CMP Group also wishes to plan and promote water-saving programs with a 1% annual reduction goal. |                                                                                                                                 |
| IV. Social Issues                                                                                                                                           |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                 |
| (I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | V                     |    | (I) CMP abides by relevant labor regulations and respects internationally recognized basic human rights principles, and has formulated its Human Rights Policy, respecting human rights in the workplace, safe working environment, anti-discrimination, multiple communication channels and other rights to protect the legal rights of employees. Human rights concerns include: providing a safe and healthy working environment for              | No deviation                                                                                                                    |

| Evaluation Item                                                                                                                                                                                                               | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                               | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                 |
|                                                                                                                                                                                                                               |                       |    | employees, putting an end to illegal discrimination to reasonably ensure equal work opportunities, prohibiting forced labor, physical and mental health and work balance, and multiple communication channels. All management systems comply with local labor laws and regulations, and relevant systems are announced on the Company's internal website for employees to consult.                                                                                                                        |                                                                                                                                 |
| (II) Does the Company formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits) and appropriately reflect operating performance or results in employee compensation? | V                     |    | (II) 1. CMP has implemented relevant procedures and guidelines including employee attendance management, compensations management, and allocations of year-end and performance-based bonuses to ensure employees' compliance while performing any CMP function.<br>2. To encourage employees to develop a habit of planning their work, arrange for functional proxies during their absence, implement functional delegation system and health management and achieve a work-life balance, CMP has set up | No deviation                                                                                                                    |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                 |
|                 |                       |    | <p>bonuses for work plans.</p> <p>3. To encourage employees to enjoy happy family lives by marrying and to relieve them of child care-related financial burdens, CMP gives wedding bonuses and monthly child care stipends to employees with child/children aged six or under.</p> <p>4. To safeguard employees' physical and mental health, CMP practices voluntary health management. All employees who have stayed with CMP for one year or more can enjoy one free session of health checkup every year.</p> <p>5. To encourage employees to compete for external resources in order to enhance CMP's competitiveness, an external assistance and reward program has been established, and bonuses are also given.</p> <p>6. To enhance company competitiveness, CMP encourages employees to learn continuously and enhance their professional competences in order to cultivate talents and contribute more toward CMP Group. A learning stipend has</p> |                                                                                                                                 |

| Evaluation Item                                                                                                                                        | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                        | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                 |
|                                                                                                                                                        |                       |    | <p>been designed for employees.</p> <p>7. Pursuant to Article 27-1 of CMP's Articles of Incorporation, in case of profit in a fiscal year, no less than 2.5% of the profit shall be allocated as compensations for employees. Procedures for distribution of employee compensations have also been specified to protect the rights and interests of all employees, and to provide adequate incentives to them.</p> <p>8. To award employees' contributions in a fair and reasonable manner and to adequately compensate them for their hard work, CMP has established procedures for allocating budget-achieving bonuses for each business. In case budgets are achieved in a quarter, budget-achieving bonuses will be distributed in the following month.</p> |                                                                                                                                 |
| (III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? | V                     |    | (III) 1. CMP has established Industrial Safety and Health Management Protocol to ensure each employee can competently deal with any emergency circumstance and report to the relevant units in due                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | No deviation                                                                                                                    |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                 |
|                 |                       |    | <p>course; acquired the "CNS 45001:2018" (valid period from December 23, 2019 to December 22, 2022) and "ISO 45001:2018" (valid period from December 23, 2019 to December 23, 2022), strengthened regular discussions and publicize environmental safety and health matters, and require employees to execute them thoroughly. In addition, in order to ensure that all employees can work with peace of mind in a safe and hygienic environment, the Occupational Safety and Health Committee was established and meetings were convened quarterly.</p> <p>3. Before introducing new substances or new equipment, the metal manufacturing segment of CMP conducts education and training on the general rules of hazards of the substances or equipment for the relevant operators, emphasizing the safe operation, preventive measures and emergency treatment of the substances. At the same time, the</p> |                                                                                                                                 |



| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                 |
|                 |                       |    | <p>Hazardous Chemicals Management Procedure was established to count, inventory and label all hazardous chemicals, and to educate and standardize the correct identification, treatment and use of hazardous chemicals, so the employees can recognize the potential hazards of substances and thus be more cautious to avoid hazards. The mall regularly cooperates with the Taichung City Fire Bureau to conduct safety assessments and actual drills every 6 months. The mall also conducts self-defense fire drills every year, and each counter must appoint one or two people to participate. Fire-fighting equipment are complied with laws and regulations to conduct fire safety inspections every 6 months, including security inspection items such as smoke detectors and emergency lighting lamps, to avoid malfunction of the fire safety equipment.</p> |                                                                                                                                 |

| Evaluation Item                                                                            | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|--------------------------------------------------------------------------------------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                            | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                 |
|                                                                                            |                       |    | 3. This year, training on occupational safety was provided to enrich the cognition and familiarity of employees, totaling 18,193 hours. At the same time, the Company provided health check-ups, health talks, sports group activities, sports associations and offering bonus to encourage and assist employees to pay attention to physical and mental health, which obtained the badge of healthy workplace.                                                                                                                |                                                                                                                                 |
| (IV) Does the Company provide its employees with career development and training sessions? | V                     |    | (IV) Employee education and career development is a major focus of the human resources development for CMP. From company operation to functional gap guidance, annual training programs are provided internally, externally, and on-the-job degree pursuits. Other learning opportunities such as the on-the-job training subsidy program offered by the Workforce Development Agency, Ministry of Labor are also utilized to promote systematic training to improve individual competitiveness To coordinate with the digital | No deviation                                                                                                                    |

| Evaluation Item                                                                                                                                                                                                                                                                       | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                       | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                 |
|                                                                                                                                                                                                                                                                                       |                       |    | <p>transformation, promote the e-learning policy, enhance the learning effect and expand the training benefit, the Company promoted the "Incentive Measures Project for Original Digital Courses" from April 2021 to March 2022, encouraging employees to create digital courses, and at the same time providing diversified learning channels for employees.</p> <p>Self-learning and on-the-job training are encouraged for employee to upskill themselves, increase individual competitiveness, and to pursue self-growth.</p> |                                                                                                                                 |
| (V) Does the Company comply with relevant laws and regulations and international standards on customer health and safety, customer privacy, marketing and labeling of products and services? Does the Company develop relevant consumer protection policies and complaint procedures? | V                     |    | (V) The operation of CMP's shopping mall department emphasizes safety as the primary task, regardless of the overall cleanliness of the environment, the maintenance and management of public equipment, and the supervision of catering safety, which are all projects that we carry out in depth. At present, Park Lane by CMP is under implementation through five major                                                                                                                                                       | No deviation                                                                                                                    |

| Evaluation Item                                                                                                                                                                    | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                    | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                 |
|                                                                                                                                                                                    |                       |    | spindles of catering counter management, floor environment inspection, public safety management, disaster prevention and emergency medical rescue, and its 15 sub-projects; at the same time, the shopping mall department and the metal forming department both set up a smooth customer complaint channel, which is processed and responded to immediately; customer information protection is also implemented in accordance with the relevant internal regulations, and no relevant matters such as customer privacy leakage occurred in the year 2020. The details and implementation methods are also presented in the CSR report of the year and the official website CSR area. |                                                                                                                                 |
| (VI) Does the Company formulate supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety | V                     |    | (VI) For the selection of suppliers, consideration is given to the ability to achieve quality standards and the long-term sustainable and stable cooperation. Therefore, each factory in the metal forming department has                                                                                                                                                                                                                                                                                                                                                                                                                                                              | No deviation                                                                                                                    |

| Evaluation Item                                         | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|---------------------------------------------------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                         | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                 |
| and health, or labor rights? How is the implementation? |                       |    | <p>a supplier management policy. Covering social aspects such as environmental aspects, employee education and related rights, and occupational safety, we will continue to promote and refine relevant policies and audit conditions in the future.</p> <p>At present, it is mainly given priority to encouraging and assisting suppliers to make progress together. However, there are also norms to retain or cancel their supplier qualifications depending on the circumstances. In 2020, 178 existing suppliers were audited, and there was no suspension of cooperation with the other party due to unqualified environmental protection or other ESG audits. Another 20 new manufacturers passed the audit and obtained supplier qualification. In addition, by the end of 2020, a total of 1,101 cooperative manufacturers had signed the CMP Group Supplier Honesty and Integrity and Confidentiality Agreement.</p> |                                                                                                                                 |

| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Implementation Status |    |                                                                                                                                                                                                                                                                      | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Yes                   | No | Description                                                                                                                                                                                                                                                          |                                                                                                                                 |
| V. Does the Company prepare CSR reports and other reports that disclose its non-financial information based on the norms or guidelines for internationally accepted reports? Do the previous released reports obtain the assurance or warranted opinions of the third party verification unit?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | V                     |    | Since 2018, CMP's corporate social responsibility report has been compiled in accordance with the core options of the GRI guidelines issued by the Global Reporting Initiative (GRI), and commissioned by the British Standards Institute (BSI) to complete Be sure. | No deviation                                                                                                                    |
| VI. If the Company has established corporate social responsibility principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe the implementation and any deviations from the Principles: None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                       |    |                                                                                                                                                                                                                                                                      |                                                                                                                                 |
| <p>VII. Other important information to facilitate better understanding of the Company's corporate social responsibility practices:</p> <p>(I) Please refer to the CSR Report published on CMP website.</p> <p>(II) Participating in Social Welfare:</p> <p>◎ Caring donation of the Company and its subsidiary PUJEN Land Development Co., Ltd.-<br/>In order to give back to the society and share happiness, CMP and its subsidiary, PUJEN Land Development Co., Ltd., have launched the Employee Donation, Company Money charity donation project since 2015, inviting colleagues to work together to help the disadvantaged groups. The annual donation amount for 2020 was NTD 267,000. So far, a total of 49 non-profit organizations have accumulated a total of more than NTD 1 million. The categories include humanitarian care, education issues, medical services, art support, environmental conservation, animal care and other issues, as our contribution to the society.</p> <p>◎ PUJEN Land Development Co., Ltd.-participated in the "Taipei National Road Marathon" campaign to promote face equality in 2020; 10,000 people's anti-drug public welfare road running activity.</p> <p>(III) Neighborhood Assistance:<br/>Since its establishment, CMP has been taken care of by the neighborhood, and has been deeply engaged</p> |                       |    |                                                                                                                                                                                                                                                                      |                                                                                                                                 |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                 |
|                 |                       |    | <p>in community development and mutual assistance for a long time. We have continued the spirit of gratitude and feedback, and independently initiated neighborhood environment consolidation, held health talks for residents and provided materials around the operating bases for many years. In this year, despite of the tough overall environment, we have provided appropriate assistance to 311 poor families in the region, making our own contribution.</p> <ul style="list-style-type: none"> <li>◎ CMW (Tianjin) Industry Co., Ltd.-joined hands with Federation of Trade Unions of Tianjin Economic Development Zone to send coolness.</li> <li>◎ Suzhou CMS Machinery Co., Ltd.-organized a charity event with the Charity Foundation of High-tech Zone to help 311 households enjoying the minimum living guarantee.</li> <li>◎ CMP Metal Manufacturing Division-the action of caring for neighborliness and maintaining community cleanliness.</li> </ul> <p>(IV) Elderly Care:</p> <p>Affected by the declining birthrate and aging, the family's care function has gradually declined, and the lack of psychological care for the elders has become a major social issue. Based on long-term volunteer services in the surrounding communities, the employees spontaneously went to the apartments for the elderly to accompany them, held lively activities and games in response to various festivals, and provided support at the end of the year to help care for the elderly in the neighboring communities.</p> <ul style="list-style-type: none"> <li>◎ Suzhou CMS Machinery Co., Ltd.-participated in volunteer service of Yiyang Apartment for the Elderly.</li> <li>◎ PUJEN Land Development Co., Ltd.-participated in the activity of "Ganlin Foundation-Sending New Year's Cuisine to Spread Love Day" for the elderly living alone at the end of the year.</li> </ul> <p>(V) Care for students and young children:</p> <p>Everyone has a dream. However, many children lose their right to dream because of the difficult family where they grow up. CMP Group attaches great importance to the support and care of students. Apart from "Easy Parenting-Regular Parenting Allowance for Children under Six Years Old" within the Group, we also expect that we can make more efforts to help children with less resources to have better care and education and grow up happily and healthily.</p> <ul style="list-style-type: none"> <li>◎ PUJEN Land Development Co., Ltd.-participated in the activities of cleaning, accompanying and donating materials initiated by the Caring House.</li> <li>◎ CMW (Tianjin) Industry Co., Ltd.-sponsored 150 poor students in Chengde City.</li> </ul> |                                                                                                                                 |

| Evaluation Item | Implementation Status |    |             | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|-------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description |                                                                                                                                 |

(VI) Industry-Academy Cooperation:

In response to the trend to exert social efforts, the Consolidated Company has a total of ten cooperative schools, providing 196 internships, of which 52 are expected to be employed in the Consolidated Company after the internship.

(VII) CMP is committed to promoting the exchange of humanities and arts education. In 2010, it established the CMP PUJEN Foundation for Arts and Culture. Through discussions, exchanges, and related activities, it combines people with a consensus on humanities and arts education to promote lectures and activities beneficial to schools, communities and businesses, integrate resources and implement the concept of lifelong learning.

Its 2020 annual work items are as follows:

| Location                                  | Type       | Month            | Work Assignment                                                                                      |
|-------------------------------------------|------------|------------------|------------------------------------------------------------------------------------------------------|
| CMP Block Museum of Arts (Kong-Ke Museum) | Exhibition | January to March | Kong-Ke Museum: Huangdao Gongshen                                                                    |
|                                           |            | March to June    | Kong-Ke Museum: If the Truck Head is My Home x Betel Nut Stall is My 7-11                            |
|                                           |            | July to October  | Kong-Ke Museum: The Busy World of the Master                                                         |
|                                           |            | December         | Kong-Ke Museum: KAO!INC.: Continuous Roof Top Building Center                                        |
|                                           | Plan       | January          | Public Art Project: Satoyama 12 I'm a mouse!                                                         |
|                                           |            | February         | The Plan of Kong-Ke Corridor – The Plan of Urban Farm Garden                                         |
|                                           |            | March            | The Plan of Kong-Ke Corridor - The Course of Calligraphy Greenway                                    |
|                                           | Activities | May              | The Kid Construction Theatre: Evil Pigs Forcing Me to Build                                          |
|                                           |            | June             | Kong-Ke Solar Term Experience Lab: Sheng Nung Blessed Sachet                                         |
|                                           |            | September        | Kong-Ke Museum: September The Course of Calligraphy Greenway (Held Every Sunday)                     |
|                                           |            |                  | Kong-Ke Museum: Construction Site Percussion Music on Summer Night                                   |
|                                           |            |                  | Kong-Ke Museum: The Construction Site Education for Kids: Little Engineers Building a House Together |
|                                           |            | October to       | Kong-Ke Museum: Construction Site Percussion Music                                                   |



| Evaluation Item |            |                                                                                                                                                                                                                                                                                                                                                                                  | Implementation Status                                                                                            |    |             | Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof |
|-----------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----|-------------|---------------------------------------------------------------------------------------------------------------------------------|
|                 |            |                                                                                                                                                                                                                                                                                                                                                                                  | Yes                                                                                                              | No | Description |                                                                                                                                 |
|                 |            | December                                                                                                                                                                                                                                                                                                                                                                         | Kong-Ke Museum: October The Course of Calligraphy Greenway (Held Every Sunday)                                   |    |             |                                                                                                                                 |
|                 | Awards     | <ul style="list-style-type: none"><li>• Good Design Award 2020 of Japan</li><li>• Best 100 of Shopping Design "New interpretation of Taiwanese flavor"</li><li>• 2020 13th Taiwan Interior Design Award Exhibition Space Culture Exhibition TID Award/Design Unit-PiliWu-Design.</li><li>• Golden Pin Design Award-Design Integration Class/Design Unit-PiliWu-Design.</li></ul> |                                                                                                                  |    |             |                                                                                                                                 |
| The Jen Library | Exhibition | January to April                                                                                                                                                                                                                                                                                                                                                                 | Student Art Shop - Everyday Art - Scenery along the Way                                                          |    |             |                                                                                                                                 |
|                 |            | April to August                                                                                                                                                                                                                                                                                                                                                                  | Special Exhibition on Plant Theme                                                                                |    |             |                                                                                                                                 |
|                 | Activities | February                                                                                                                                                                                                                                                                                                                                                                         | Reading Session: In the Preface-The Inspiration Source of the Designer                                           |    |             |                                                                                                                                 |
|                 |            | March                                                                                                                                                                                                                                                                                                                                                                            | Reading Session : Marseille-Set off to the Extreme                                                               |    |             |                                                                                                                                 |
|                 |            | April                                                                                                                                                                                                                                                                                                                                                                            | Reading Session: LI, Ming Tsung -How Does the Old Market Become a Lifestyle Classroom                            |    |             |                                                                                                                                 |
|                 |            |                                                                                                                                                                                                                                                                                                                                                                                  | Shadow and Nature: Workshop on Painting of Plant Science                                                         |    |             |                                                                                                                                 |
|                 |            | May                                                                                                                                                                                                                                                                                                                                                                              | Reading Session: WANG, Jui min-Nanyang Plants and Cuisine on the Dining Table                                    |    |             |                                                                                                                                 |
|                 |            |                                                                                                                                                                                                                                                                                                                                                                                  | Cooperative Course: CIAO!Flower Design-Mother's Space-Mother in the Study                                        |    |             |                                                                                                                                 |
|                 |            |                                                                                                                                                                                                                                                                                                                                                                                  | Cooperative Course: CIAO!Flower Design-Mother's Time-Mother in the Afternoon                                     |    |             |                                                                                                                                 |
|                 |            | June                                                                                                                                                                                                                                                                                                                                                                             | Reading Session: LI, Hui Chen-Happy Writing Courses I and II                                                     |    |             |                                                                                                                                 |
|                 |            |                                                                                                                                                                                                                                                                                                                                                                                  | Cooperative Course: Temperature-Floating Plant Course I                                                          |    |             |                                                                                                                                 |
|                 | July       | Cooperative Course: Temperature-Floating Plant Course II                                                                                                                                                                                                                                                                                                                         |                                                                                                                  |    |             |                                                                                                                                 |
| The Forest BIG  | Activities | October                                                                                                                                                                                                                                                                                                                                                                          | Cooperative Course: Local Conditions and Customs from the Urban Jungle-Underground Economics Breeding Everything |    |             |                                                                                                                                 |

**(VI) Corporate Governance Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof**

| Evaluation Item                                                                                                                                                                                                                                                              | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                              | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                              |
| I. Establishment of ethical corporate management policies and programs                                                                                                                                                                                                       |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                              |
| (I) Does the Company have policies and practices for ethical corporate management passed by the BOD and clearly state them in regulations and publicly available documents? Do the BOD and senior management make commitments to actively implement those business policies? | V                     |    | (I) The core value of the CMP is "diligence, integrity, true, beauty, kindness and sincerity," as stated on the company website ( <a href="http://www.cmp.com.tw">http://www.cmp.com.tw</a> ); CMP has also established the following regulations, including Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Guidelines for the Adoption of Codes of Ethical Conduct, and Corporate Governance Best Practice Principles, to express the policies and practices of honest operation. The regulations are all published on the company website and MOPS. CMP is based on ethical management and honesty. All CMP employees, including the BOD and management, are required to fulfill the duty of care of good managers and exercise their functions and | No deviation                                                                                                                 |

| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                       |    | powers prudently, so as to implement the promise of honest management policy.                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                              |
| (II) Does the Company establish an evaluation mechanism for the risk of unethical conduct that regularly analyzes and evaluates business activities with higher risks of unethical conduct in the business scope? Does the Company formulate a plan to prevent unethical conducts, which at least covers the precautionary measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? | V                     |    | (II) In the annual audit plan, according to the risk assessment mechanism, CMP checked and inspected the high-risk business activities, and establish and cover the preventive measures for the conduct of the second paragraph of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies in the second amendments to the Ethical Corporate Management Best Practice Principles approved by the BOD in March 2020. | No deviation                                                                                                                 |
| (III) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequences of violation and complaint procedures in such policies?                                                                                                                                                                                                                                      | V                     |    | (III) CMP officially established the Procedures for Ethical Management and Guidelines for Conduct, which is approved by the BOD. The policy outlines clearly its operation procedures, behavior guidelines, and disciplinary appeal system for violations, and emphasizes CMP's determination to enforce ethical operation, policy, prevention                                                                                                                    | No deviation                                                                                                                 |

| Evaluation Item                                                                                                                                                                                                                                                                                                                             | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                             | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                    |
|                                                                                                                                                                                                                                                                                                                                             |                       |    | methods for unethical situations and consequences of any violations to its employees and management.                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                    |
| II. Fulfillment of Ethical Corporate Management                                                                                                                                                                                                                                                                                             |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                    |
| (I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?                                                                                                                                                                               | V                     |    | (I) The Company has formulated the CMP Group's Supplier Honesty and Integrity and Confidentiality Agreement, and all the relevant manufacturers must sign this commitment and promise their integrity, integrity and confidentiality obligations and ethics.                                                                                                                                                                                                                   | No deviation                                                                                                                                                                                       |
| (II) Has the Company established an exclusively (or concurrently) dedicated unit under the BOD to implement ethical corporate management, and report to the BOD on a regular basis (at least once per year) on ethical operation policies as well as precautionary measures against unethical conduct and their implementation information? |                       | V  | (II) The Audit Office of CMP is a special unit for promoting corporate integrity management under the Board of Directors. It is responsible for reviewing and improving the CMP's credit management policies and promoting measures. It pays attention to the development of relevant norms of credit management at home and abroad, regularly reports to the Board on its integrity management policies, and plans to prevent dishonesty, and supervision and implementation. | On March 30, 2020, the BOD has approved the Integrity Management Code and Integrity Management Operation Procedures and Conduct Guidelines, and will formulate and supervise the implementation of |

| Evaluation Item                                                                                                                                                | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                              |
|                                                                                                                                                                |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | the prevention plan in stages.                                                                                               |
| (III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly? | V                     |    | (III) CMP has established the Procedures for Ethical Management and Guidelines for Conduct and the Guidelines for the Adoption of Codes of Ethical Conduct, which clearly state that Directors or managers may not use their positions to allow themselves, spouses, parents, children, or any relatives within the second degree of kinship, to acquire improper benefits from the CMP. Unless the conflict of interest has been previously reported to the BOD, loans, endorsements and guarantees, major asset transactions, and purchase or (sale) of goods may not be made to the aforementioned personnel, or have any business related to them; if any conflict of interest are present in relation to any report item during the BOD meetings, the Director must excuse him or herself, and may not participate in the discussion or voting process. | No deviation                                                                                                                 |

| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                         | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                         | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                              |
| (IV) To implement relevant policies on ethical conduct, has the Company established effective accounting and internal control systems and assign an internal audit unit to develop relevant auditing plans according to the assessment results of unethical conduct risks? Does the Company inspect the implementation of such auditing plans or assign CPAs to implement the auditing? | V                     |    | (IV) The content of the Ethical Corporate Management Best Practice Principles approved by the BOD stipulates that it is necessary to abide by the relevant laws and regulations of the Company Act, Commercial Accounting Law, etc.; in addition, it is necessary to establish an effective accounting system and internal control for business activities with a high risk of dishonesty. And this should be monitored at all times to ensure that the design of the system and its implementation are effective and sustaining. CMP internal audit unit has conducted an audit in accordance with the Company's risk assessment mechanism for high-risk business activities in the annual plan, and regularly checked the compliance with the previous system, and made an audit report and reported it to the BOD. A CPA may be appointed to execute audit, and professionals may be invited for assistance when necessary. | No deviation                                                                                                                 |

| Evaluation Item                                                                                                                                                        | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                        | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                              |
| (V) Does the Company regularly hold internal and external educational training on operational integrity?                                                               | V                     |    | (V) In 2020, the Company carried out internal education and training related to the issue of integrity management applicable to all employees (including related courses such as explanation of amendment provisions on integrity management, current affairs analysis and personal data protection law), with a total of 182 participants.                                                                                                                 | No deviation                                                                                                                 |
| III. Operation of the Whistle-blowing System                                                                                                                           |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                              |
| (I) Has the Company established both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party? | V                     |    | (I) 1. CMP has established the Procedures for Ethical Management and Guidelines for Conduct and provided an accessible complaint channel for employees and external personnel to report on unethical or improper conducts. So that the Guidelines for the Adoption of Codes of Ethical Conduct and Ethical Corporate Management Best Practice Principles shall be implemented thoroughly, and ensure the legal rights of the informant and related persons. | No deviation                                                                                                                 |

| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|-----------------|-----------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                              |
|                 |                       |    | <p>2. The complaint channel and procedures are as follows:</p> <p>2.1 The Audit Office is the responsible unit for receiving and processing complaints. If the complaint involves a Director or a member of senior management, the complaint should be submitted to an Independent Director instead. The relevant supervisor, Independent Director, or Audit Committee should review the complaint and check all relevant facts, and assign a dedicated personnel such as managers of Audit office, HR Department and Legal Department, or designated the President to recruit an investigation team where deemed necessary. All personnel involved in reviewing the complaints must uphold the confidentiality thereof.</p> <p>2.2. The e-mail address dedicated for reporting on unethical and improper conduct is published on the CMP's public website and</p> |                                                                                                                              |



| Evaluation Item | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|-----------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                 | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                              |
|                 |                       |    | <p>intranet for external and internal usage respectively. The whistleblower may make a complaint via mail or e-mail:</p> <p>I. Contact address: 4F., No.85, Sec.4, Ren-ai Rd., Da-an District, Taipei, Taiwan (R.O.C.). To the attention of the Chief Auditor.</p> <p>II. Email address:<br/>ethics@cmp.com.tw</p> <p>The following information must be provided by the whistleblower:</p> <p>(I) The whistleblower's name, I.D. number, (or anonymous compliant) and an address, telephone number and e-mail address where it can be reached.</p> <p>(II) The informed party's name or other information sufficient to distinguish its identifying features.</p> <p>(III) Specific facts available for investigation.</p> <p>2.3 The responsible unit shall collate all complaints made, record how it was dealt with, and any subsequent proposed</p> |                                                                                                                              |

| Evaluation Item                                                                                                                                                            | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                            | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                              |
|                                                                                                                                                                            |                       |    | improvements, and report to the BOD regularly, or as required.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                              |
| (II) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner? | V                     |    | (II) According to the Procedures for Ethical Management and Guidelines for Conduct, the head of the acceptance unit is responsible for opening and processing to ensure the confidentiality of the informant's information. The whistleblower's identity, information and confidentiality of the content of the report are strictly confidential, and anonymous reports are allowed. Reporting matters involving general employees should be reported to the direct supervisor. Reporting matters involving Directors or senior executive should be reported to Independent Directors or the Audit Committee. The relevant supervisor, Independent Director, or Audit Committee should review the compliant and check all relevant fact, and assign a dedicate personnel such as managers of Audit office, HR Department and Legal Department, or designed the President to recruit an investigation | No deviation                                                                                                                 |

| Evaluation Item                                                                                                                                                                                | Implementation Status |    |                                                                                                                                                                                                                                                                                                                                                                                                         | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                | Yes                   | No | Description                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                              |
|                                                                                                                                                                                                |                       |    | team where deemed necessary. All personnel involved in reviewing the complaints must uphold the confidentiality thereof. After the investigation of the prescribed prosecution case is completed, follow-up measures to be taken in accordance with the severity of the circumstances shall be reported to the competent authority or transferred to the judicial organ for investigation if necessary. |                                                                                                                              |
| (III) Does the Company provide protection to whistleblowers against receiving improper treatment?                                                                                              | V                     |    | (III) The Company's personnel handling whistleblowing matters shall keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing.                                                                                                                                          | No deviation                                                                                                                 |
| IV. Enhanced Disclosure of Information                                                                                                                                                         |                       |    |                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                              |
| (I) Has the Company disclosed the contents of its best practices for ethical corporate management and the effectiveness of relevant activities upon its official website or Market Observation | V                     |    | (I) The Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct have been approved by the BOD, of which the latest amendments are                                                                                                                                                                                                    | No deviation                                                                                                                 |

| Evaluation Item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Implementation Status |    |                                                                                                                                     | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Yes                   | No | Description                                                                                                                         |                                                                                                                              |
| Post System (MOPS)?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                       |    | disclosed on CMP's website under the Corporate Governance section, as well as on MOPS and updated whenever there are any revisions. |                                                                                                                              |
| <p>V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the implementation and any deviations from the Principles: CMP will formulate the precautions in phrases and supervise the implementation in accordance to the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct, which are amended by the BOD on March 30, 2020 and reported to BOD regularly.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                       |    |                                                                                                                                     |                                                                                                                              |
| <p>VI. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies)</p> <ol style="list-style-type: none"> <li>1. CMP has amended the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct pursuant to relevant law. The latest versions were approved by the BOD on March 30, 2020. The scope of application includes CMP and its subsidiaries. To emphasize the materiality of integrity, CMP will hold internal and external educational training in relation to ethical corporate management or encourage employees to attend related training.</li> <li>2. CMP adheres to the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, and relevant regulations in relation to the TWSE/GTSM listed companies and other related business law and regulations, as foundation for ethical corporate management.</li> <li>3. The CMP's Rules for Procedure for Board of Directors Meetings clearly outlined the Directors conflict of interest mechanism. Directors should excuse him or herself in relation to matters which directly related to themselves or any juristic person which they represent. If the matter is harmful to CMP's interests, it shall be properly explained and answered at the Board meeting. The Director is abstained from discussion or vote nor vote on behalf of another Director in this regard.</li> </ol> <p>The CMP's Procedures for Prevention of Insider Trading clearly states that Directors, managers and employees may not disclose any internal material information to third parties. When information has</p> |                       |    |                                                                                                                                     |                                                                                                                              |

| Evaluation Item                                                                                                                                                                                                                                              | Implementation Status |    |             | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----|-------------|------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                              | Yes                   | No | Description |                                                                                                                              |
| been determined, for a period of time before and after the announcement has been made, non-equity corporate bonds may not be purchased or sold at the stock exchange or over-the-counter market, either in the name of the employee, or on behalf of others. |                       |    |             |                                                                                                                              |

**(VII) The inquiry method about the Company's corporate governance best practice principles and related regulations**

CMP has established the following regulations: Ethical Corporate Management Best Practice Principles; Procedures for Ethical Corporate Management and Code of Conducts; Corporate Social Responsibility Best Practice Principles; Corporate Governance Best Practice Principles; Guidelines of the Adoption of Codes of Ethical Conduct; Regulations Governing Performance Evaluation for the Board of Directors; Rules for Procedure for Board of Directors Meetings; Rules for Procedure for Meeting of Shareholders; Remuneration Committee Charter; Audit Committee Charter. Apart from periodic announcements, these regulations are available on the MOPS and the CMP official website (<http://cmp.com.tw/cht/investor/governance#rule>) to govern the ethical conducts of all Directors and employees.

**(VIII) Other Important Information Regarding Corporate Governance**

As CMP is gradually transforming into a holding company and expanding its organization scale. It has successively reviewed or formulated its relevant measures and internal operation implementation rules as necessary, including: Management and Oversight of Subsidiaries; Internal Controls and Internal Audit Procedures for Prevention of Insider Trading; Procedures for Internal Material Information; Operating Procedures of Board of Directors Resolutions; Operating Procedures of the Remuneration Committee; Operating Procedures of the Audit Committee; Regulations Governing Performance Evaluation for the Board of Directors; Prosecution Case Handling Procedures. With these regulations, the Company is able to optimize both operation efficiency and risk management.

**(IX) Status of Internal Control System**

**1. Statement of Internal Control System**

China Metal Products Co., Ltd.  
Statement of Internal Control System

Date: March 30, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

- I. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the Regulations divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. Each constituent element includes a certain number of items. For more information on such items, refer to the Regulations.
- IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the BOD on March 30, 2021, and none of the nine Directors in attendance objected to it and all consented to the content expressed in this statement.

China Metal Products Co., Ltd.

Chairman: LIN, Ting Fung

President: LIN, Ting Fung

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

**(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: None**

**(XI) Major Resolutions of Shareholders' Meeting and Board Meetings During the Most Recent Year Up to the Date of Publication of the Annual Report:**

Major Resolutions of the Board Meetings:

| No. | Meeting Date                               | Major Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | 2020/03/30<br>(1st Board Meeting for 2020) | <p>(I) Proposal: 2019 Employee compensation and Directors remuneration allocation proposal. Proposed for discussion.</p> <p>(II) Proposal: 2019 Annual Business Report, Financial reports, and Audit Reports. Proposed for discussion.</p> <p>(III) Proposal: 2019 Earnings Appropriation. Proposed for resolution.</p> <p>(IV) Proposal: 2020 Independent Auditors Appointment. Proposed for discussion.</p> <p>(V) Proposal: Extension of working capital line of credit. Proposed for resolution.</p> <p>(VI) Proposal: Endorsement and guarantees of NTD 250 million based on shareholding ratio for THE SPLENDOR HOSPITALITY INTERNATIONAL CO., LTD. Proposed for resolution.</p> <p>(VII) Proposal: 2019 Statement of Internal Control System. Proposed for discussion.</p> <p>(VIII) Proposal: Amendments to the Ethical Corporate Management Best Practice Principles and Procedures for Ethical Management and Guidelines for Conduct. Proposed for discussion.</p> <p>(IX) Proposal: Amendments to the Articles of Incorporation. Proposed for resolution.</p> <p>(X) Proposal: Amendments to the Corporate Social Responsibility Best Practice Principles, Audit Committee Organization Rules, Rules of Procedure for Board of Directors Meetings and Rules of Procedure for Annual Meeting of Shareholders. Proposed for resolution.</p> <p>(XI) Proposal: Amendments to the Internal Control System. Proposed for resolution.</p> <p>(XII) Proposal: Amendments to the Internal Audit Implementation Rules. Proposed for resolution.</p> <p>(XIII) Proposal: Appointment of Legal Director of InterContinental Taichung Co., LTD., a subsidiary of CMP. Proposed for confirmation.</p> <p>(XIV) Proposal: Re-election of the Directors. Proposed for discussion.</p> |

| No. | Meeting Date                                       | Major Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|     |                                                    | <p>(XV) Proposal: The release of non-competition restrictions for Directors. Proposed for discussion.</p> <p>(XVI) Proposal: Nomination of Candidates for Independent Directors. Proposed for discussion.</p> <p>(XVII) Proposal: The convening time, venue and relevant proposals for the 2020 Annual General Meeting. Proposed for resolution.</p> <p>(XVIII) Proposal: Time and venue of accepting shareholders' proposals for the 2020 Annual General Meeting and the acceptance period and venue for nominating Independent Directors. Proposed for discussion.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 2   | 2020/05/12<br>(2nd Board Meeting for 2020)         | <p>(I) Proposal: Proposal of 2020 budget for discussion.</p> <p>(II) Proposal: In maintaining the Company's credit and Shareholders' equities, the Company proposes to make the first repurchase of the Company's shares in 2020 for discussion.</p> <p>(III) Proposal: 2019 Earnings Appropriation for resolution.</p> <p>(IV) Proposal: 2020Q1 consolidated financial statements for discussion.</p> <p>(V) Proposal: Extension of working capital line of credit. Proposed for resolution.</p> <p>(VI) Proposal: The endorsement and guarantees of NTD 110 million for the Sunflower Investment Co., Ltd. for resolution.</p> <p>(VII) Proposal: The endorsement and guarantees of NTD 50 million for the subsidiary Shangrila Tourism Co., Ltd. for resolution.</p> <p>(VIII) Proposal: The endorsement and guarantees of NTD 53,615,100 for the subsidiary The Hotel National Company Limited for resolution.</p> <p>(IX) Proposal: The Company intended to apply for amending the terms of the joint loan contract, mainly for changing the use of funds and applying for lowering the interest rate, which was submitted for resolution.</p> <p>(X) Proposal: The Amendments to the Internal Control System. Proposed for resolution.</p> <p>(XI) Proposal: The Amendments to the Internal Audit Implementation Rules. Proposed for resolution.</p> <p>(XII) Proposal: The appointment of a judicial person as a nominee for the Director and Supervisor of subsidiary National Management Co., Ltd. for discussion.</p> <p>(XIII) Proposal: The appointment of a person as a nominee for the Director of the subsidiary Sunflower Investment Co., Ltd. for discussion.</p> <p>(XIV) Proposal: Examination and acceptance of the case of shareholders' nomination right and proposal right for resolution.</p> |
| 3   | 2020/06/22<br>(1st interim Board Meeting for 2020) | <p>(I) Proposal: Re-election of the Chairman for discussion.</p> <p>(II) Proposal: The appointment of members of the Remuneration Committee for resolution.</p> <p>(III) Proposal: The appointment of members of the Audit Committee for resolution.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |



| No. | Meeting Date                               | Major Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4   | 2020/07/28<br>(3rd Board Meeting for 2020) | <p>(I) Proposal: The amendment to the Company's "Remuneration Committee Charter" for resolution.</p> <p>(II) Proposal: Proposal of amendment to the Remuneration Policy for Directors, Audit Committee Members, and Managers for resolution.</p> <p>(III) Proposal: The employee compensation for managers in 2019 for resolution.</p> <p>(IV) Proposal: The President's pensions of retirement for resolution.</p> <p>(V) Proposal: The re-election of the President for discussion.</p>                                                                                                                                                                                                       |
| 5   | 2020/08/13<br>(4th Board Meeting for 2020) | <p>(I) Proposal: 2020 Q2 consolidated financial statements for discussion.</p> <p>(II) Proposal: Extension of working capital line of credit. Proposed for resolution.</p> <p>(III) Proposal: The Company bought back treasury shares for the first time in 2020 to cancel capital reduction and set a benchmark date for capital reduction, which was submitted for resolution.</p> <p>(IV) Proposal: The donation to CMP PUJEN Foundation for Arts and Culture for resolution.</p> <p>(V) Proposal: The adjustment of organizational structure for approval.</p> <p>(VI) Proposal: The configuration of directors, supervisors and president of subsidiaries of the Group for resolution.</p> |
| 6   | 2020/11/12<br>(5th Board Meeting for 2020) | <p>(I) Proposal: 2020 Q3 consolidated financial statements for discussion.</p> <p>(II) Proposal: The extension of credit lines of revolving funds for resolution.</p> <p>(III) Proposal: The amendments to the rules for implementation of internal control system described in Other Management: Management of Financial Statement Preparation Process for resolution.</p> <p>(IV) Proposal: The amendments to the rules for implementation of internal audit described in Other Management: Management of Financial Statement Preparation Process for resolution.</p> <p>(V) Proposal: 2021 auditing plan for resolution.</p>                                                                 |
| 7   | 2020/12/08<br>(6th Board Meeting for 2020) | <p>(I) Proposal: The medium-term operation plan and 2021 budget for discussion.</p> <p>(II) Proposal: The amendments to the Regulations Governing Performance Evaluation for the Board of Directors for resolution.</p> <p>(III) Proposal: Appointment of Legal Director of Calligraphy Greenway Plaza Co., Ltd., a subsidiary of CMP for confirmation.</p>                                                                                                                                                                                                                                                                                                                                     |
| 8   | 2020/12/17<br>(7th Board Meeting for 2020) | <p>(I) Proposal: The purchase of land around Houlongzi Section of Taichung to revive the existing land in Taichung and promote the follow-up overall development plan for discussion.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 9   | 2021/03/30<br>(1st Board Meeting for 2021) | <p>(I) Proposal: 2020 Employee compensation and Directors remuneration appropriation for discussion.</p> <p>(II) Proposal: 2020 Annual Business Report, Financial reports, and CPA audited reports for discussion.</p> <p>(III) Proposal: 2020 Earnings Appropriation for resolution.</p>                                                                                                                                                                                                                                                                                                                                                                                                       |

| No. | Meeting Date | Major Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|     |              | <p>(IV) Proposal: 2021 appointment of CPAs for discussion.</p> <p>(V) Proposal: Extension of working capital line of credit. Proposed for resolution.</p> <p>(VI) Proposal: The endorsement and guarantees of NTD 250 million based on shareholding ratio for THE SPLENDOR HOSPITALITY INTERNATIONAL CO., LTD. for resolution.</p> <p>(VII) Proposal: The endorsement and guarantees of NTD 250 million for the subsidiary Shangrila Tourism Co., Ltd. for resolution.</p> <p>(VIII) Proposal: The endorsement and guarantees of NTD 50 million for the subsidiary The Hotel National Company Limited for resolution.</p> <p>(IX) Proposal: The endorsement and guarantees of NTD 53 million for the subsidiary The Hotel National Company Limited for resolution.</p> <p>(X) Proposal: The participation in cash capital increase in InterContinental Taichung Co., Ltd., a subsidiary of CMP for discussion.</p> <p>(XI) Proposal: The appointment of a judicial person as a nominee for the Director of the joint venture CMAAN Health Co., Ltd. for discussion.</p> <p>(XII) Proposal: The appointment of a judicial person as a nominee for the Director of the subsidiary Atrans Precision Industries Co., Ltd. for discussion.</p> <p>(XIII) Proposal: The setting up the position of corporate governance supervisor for resolution.</p> <p>(XIV) Proposal: The amendment to the Company's Rules of Procedure for Shareholders' Meetings, Standard Operating Procedure for Handling Directors' Requirements and Code of Practice for Corporate Governance for discussion.</p> <p>(XV) Proposal: The amendments to the rules for implementation of internal control system and internal auditing described in Purchase and Payment Loop-Supplier Management for resolution.</p> <p>(XVI) Proposal: 2020 Statement of Internal Control System for discussion.</p> <p>(XVII) Proposal: The donation to CMP PUJEN Foundation for Arts and Culture for resolution.</p> <p>(XVIII) Proposal: The convening time, venue and relevant proposals for the 2021 Annual General Meeting for resolution.</p> <p>(XIX) Proposal: The period and venue of accepting shareholder proposals by the 2021 Annual General Meeting for discussion.</p> <p>(XX) Proposal: The adjustment of organizational structure for approval.</p> |

## Major Resolutions of Annual General Meeting and Implementation

| No. | Meeting Date | Major Resolutions                                                                                                                                                                                                                                                                                                                                                                                                                              | Implementation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | 2020/06/22   | <p>Acknowledgments</p> <p>(I) Acknowledgement of 2019 final statement</p> <p>(II) Acknowledgement of 2019 earnings appropriation</p> <p>Discussion and Elections</p> <p>(I) Amendment to the Articles of Association</p> <p>(II) Amendment to the "Rules of Procedure for Shareholders' Meetings."</p> <p>(III) Reelection of directors.</p> <p>(IV) Proposal of the release of non-competition restrictions for Directors for discussion.</p> | <p>1. In 2020, the Shareholders' Meeting of the Company passed the 2019 annual earnings distribution plan, and distributed cash dividends amounting to NTD 346,726,901. As the Company bought back treasury shares and the number of shares entitled to participate in the distribution changed, the original cash dividend NTD 0.9 per share was adjusted to NTD 0.92184663 per share. The dates resolved by the Chairman are as follows: Ex-dividend 2020/08/12 Dividend cut-off 2020/08/18, and Dividend distribution 2020/08/28.</p> <p>2. The registration of the amendments to the Company's Articles of Association was approved by the Ministry of Economic Affairs on July 16, 2020.</p> <p>3. Amendment to the "Rules of Procedure for Shareholders' Meetings." was published on the corporate website and implemented according to the procedures after amendment.</p> <p>4. The elected directors and independent directors took office on June 22, 2020.</p> |

(XII) Any dissenting opinion expressed by a Director or Supervisor with respect to a major resolution passed by the Board of Directors during the most recent year and up to the date of publication of the Annual Report, where said dissenting opinion has been recorded or prepared as a written declaration: None.

(XIII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, the President, and the Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D in the latest year and as of the publication date of the annual report:

April 27, 2021

| Title     | Name            | Date of Appointment | Date of Termination | Reasons for Resignation or Termination  |
|-----------|-----------------|---------------------|---------------------|-----------------------------------------|
| President | KING, Fong Tien | 2011/09/01          | 2020/07/28          | Retirement for personal career planning |

## V. Information on CPA Professional Fees

(I) Information on CPA Professional Fees

| Name of CPA Firm | Name of CPAs    |                 | Audit Period            | Remark |
|------------------|-----------------|-----------------|-------------------------|--------|
| KPMG Taiwan      | TSENG, Kuo Yang | CHIH, Shih Chin | 2020/01/01 ~ 2020/12/31 |        |

| Range of Fees |                               | Category of Fees | Audit Fees | Non-Audit Fees | Total |
|---------------|-------------------------------|------------------|------------|----------------|-------|
| 1             | < NTD 2,000,000               |                  |            |                |       |
| 2             | NTD 2,000,000 ~ NTD 3,999,999 |                  |            | V              |       |
| 3             | NTD 4,000,000 ~ NTD 5,999,999 |                  |            |                |       |
| 4             | NTD 6,000,000 ~ NTD 7,999,999 |                  | V          |                |       |
| 5             | NTD 8,000,000 ~ NTD 9,999,999 |                  |            |                | V     |
| 6             | NTD 10,000,000 and above      |                  |            |                |       |

(II) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit service shall be disclosed: the amount of non-audit fee paid by the Company in 2020 accounted for 32% of the total audit fee. Services provided are listed as follows:

Unit: NTD/1,000

| Name of CPA Firm | Name of CPAs    | Audit Fees | Non-Audit Fees |                       |                |                 |          | Audit Period            | Remark |
|------------------|-----------------|------------|----------------|-----------------------|----------------|-----------------|----------|-------------------------|--------|
|                  |                 |            | System Design  | Business Registration | Human Resource | Others (Note 1) | Subtotal |                         |        |
| KPMG Taiwan      | TSENG, Kuo Yang | 6,680      | -              | -                     | -              | 2,139           | 2,139    | 2020/01/01 ~ 2020/12/31 |        |
|                  | CHIH, Shih Chin |            |                |                       |                |                 |          |                         |        |

Note 1: Non-audit expenses-other expenses mainly include business tax visa, transfer pricing report, and public expenses for education and training of robot process automation and data visualization.

(III) The Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.

(IV) The audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: None.

**VI. Information on Replacement of CPAs: None.**

**VII. The Company's Chairman, President, or Managers in Charge of Finance or Accounting Matters have Held a Position at the CPAs Firm or at an Affiliate of Such Firm in the Most Recent Year: None.**

**VIII. Net Change in Shareholdings and in Shares Pledged by Directors, Managers, and Shareholders Holding More Than a 10% Share in the Company :**

(I) Recent changes:

Unit: share

| Title                                                                             | Name                                                                       | 2020                       |                              | 2021/01/01 - 2021/04/27    |                              |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|
|                                                                                   |                                                                            | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged |
| Chairman                                                                          | Lucent Source., Ltd.<br>(Representative:<br>LIN, Ting Fung)                | 271,000                    | -                            | 175,000                    | -                            |
| Director<br>(more-than-10%<br>shareholder)                                        | Chain-Yuan<br>Investment Co., Ltd.<br>(Representative:<br>CHEN, Pen Fa)    | 3,503,000                  | 300,000                      | 1,150,000                  | -                            |
| Director<br>(more-than-10%<br>shareholder)                                        | Chain-Yuan<br>Investment Co., Ltd.<br>(Representative:<br>HO, Pei Fen)     |                            |                              |                            |                              |
| Director<br>(more-than-10%<br>shareholder)                                        | Chain-Yuan<br>Investment Co., Ltd.<br>(Representative:<br>KING, Fong Tien) |                            |                              |                            |                              |
| Director                                                                          | TSAO, Ming Hong                                                            | -3,000,000                 | 800,000                      | -                          | -                            |
| Director                                                                          | WU, Shu Chuan                                                              | -                          | -                            | -                          | -                            |
| Director/Assisting<br>in Retail Business<br>Division and<br>Strategic<br>Planning | HO, Cheng Yu                                                               | -                          | -                            | -                          | -                            |

| Title                                                  | Name            | 2020                       |                              | 2021/01/01 - 2021/04/27    |                              |
|--------------------------------------------------------|-----------------|----------------------------|------------------------------|----------------------------|------------------------------|
|                                                        |                 | Net Change in Shareholding | Net Change in Shares Pledged | Net Change in Shareholding | Net Change in Shares Pledged |
| Director                                               | HO, Pei Fen     | (Note 1)                   |                              | -                          | -                            |
| Independent Director                                   | LIAO, Liou Yi   | -                          | -                            | -                          | -                            |
| Independent Director                                   | CHANG, Ming Jye | -                          | -                            | -                          | -                            |
| Independent Director                                   | LIN, Jung Chuen | -                          | -                            | -                          | -                            |
| President                                              | KING, Fong Tien | (Note 2)                   |                              |                            |                              |
| President                                              | LIN, Ting Fung  | (Note 3)                   |                              | -                          | -                            |
| Vice President                                         | TSAO, Chia-Jen  | -3,707,032                 | -4,000,000                   | -                          | -                            |
| Executive Vice President/Chief of Corporate Governance | MAI, Sheng Wei  | 11,000                     | -                            | -                          | -                            |
| Office of the Chairman Special Assistant               | CHEN, Hung-Yi   | -                          | -                            | -                          | -                            |
| Manager of Finance Department                          | HE, Shih Kang   | -                          | -                            | -                          | -                            |
| Manager of Accounting Department                       | WANG, Pei Chang | -                          | -                            | -                          | -                            |

Note 1: HO, Pei Fen was elected as a director as a natural person on June 22, 2020. During the period from June 22, 2020 to December 31, 2020, the shares held by her were unchanged and there were no pledged shares.

Note 2: KING, Fong Tien retired on July 28, 2020. During the period from January 1, 2020 to July 28, 2020, he had not held shares of the Company.

Note 3: LIN, Ting Fung took office as the President on July 28, 2020. From July 28, 2020 to December 31, 2020, the shares held by him were unchanged and there were no pledged shares.

(II) Stock transfers to related parties: None.

(III) Pledge of stock rights to related parties: None.

## IX. Information on Relationships Among the Top Ten Shareholders

April 27, 2021 Unit: shares

| Name                                                              | Current Shareholding |        | Spouse/Minor Shareholding |       | Shareholding by Nominees |   | Title or Name and Relationship of Top Ten Shareholders who Are Related Parties, Spouses, or Relatives within the Second Degree of Kinship |                                                 | Re-mark |
|-------------------------------------------------------------------|----------------------|--------|---------------------------|-------|--------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------|
|                                                                   | Shares               | %      | Shares                    | %     | Shares                   | % | Name                                                                                                                                      | Relationship                                    |         |
| Chain-Yuan Investment Co., Ltd.                                   | 51,188,965           | 13.61% | -                         | -     | -                        | - | HO, Ming Shiann                                                                                                                           | Being a Director of the company                 |         |
|                                                                   |                      |        |                           |       |                          |   | Yong Zhu Investment Co., Ltd. (Representative: HO, Pei Lin)                                                                               | The representative is a Director of the company |         |
|                                                                   |                      |        |                           |       |                          |   | WU, Shu Chuan                                                                                                                             | Being a Director of the company                 |         |
| Chain-Yuan Investment Co., Ltd. (Representative: HO, Pei Shan)    | 1,687,031            | 0.45%  | -                         | -     | -                        | - | HO, Ming Shiann                                                                                                                           | Relative within one degree of kinship           |         |
|                                                                   |                      |        |                           |       |                          |   | HO, Pei Fen                                                                                                                               | Relative within two degree of kinship           |         |
|                                                                   |                      |        |                           |       |                          |   | WU, Shu Chuan                                                                                                                             | Relative within one degree of kinship           |         |
|                                                                   |                      |        |                           |       |                          |   | Yong Zhu Investment Co., Ltd. (Representative: HO, Pei Lin)                                                                               | Relative within two degree of kinship           |         |
|                                                                   |                      |        |                           |       |                          |   | LCH Investment Co., Ltd. (Representative: Liu, Chung Chieh)                                                                               | Spouse                                          |         |
| Fubon Life Insurance Co., Ltd.                                    | 27,944,000           | 7.43%  | -                         | -     | -                        | - | None                                                                                                                                      | None                                            |         |
| Fubon Life Insurance Co., Ltd. (Representative: Tsai, Ming-Hsing) | -                    | -      | -                         | -     | -                        | - | None                                                                                                                                      | None                                            |         |
| HO, Ming Shiann                                                   | 26,312,540           | 7.00%  | 5,702,198                 | 1.52% | -                        | - | WU, Shu Chuan                                                                                                                             | Spouse                                          |         |
|                                                                   |                      |        |                           |       |                          |   | HO, Pei Fen                                                                                                                               | Relative within one degree of kinship           |         |

| Name                                                                              | Current Shareholding |       | Spouse/Minor Shareholding |   | Shareholding by Nominees |       | Title or Name and Relationship of Top Ten Shareholders who Are Related Parties, Spouses, or Relatives within the Second Degree of Kinship |                                       | Re-mark |
|-----------------------------------------------------------------------------------|----------------------|-------|---------------------------|---|--------------------------|-------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------|
|                                                                                   | Shares               | %     | Shares                    | % | Shares                   | %     | Name                                                                                                                                      | Relationship                          |         |
|                                                                                   |                      |       |                           |   |                          |       |                                                                                                                                           |                                       |         |
|                                                                                   |                      |       |                           |   |                          |       | Chain-Yuan Investment Co., Ltd.                                                                                                           | Being a Director of the company       |         |
|                                                                                   |                      |       |                           |   |                          |       | Chain-Yuan Investment Co., Ltd. (Representative: HO, Pei Shan)                                                                            | Relative within one degree of kinship |         |
|                                                                                   |                      |       |                           |   |                          |       | Yong Zhu Investment Co., Ltd. (Representative: HO, Pei Lin)                                                                               | Relative within one degree of kinship |         |
|                                                                                   |                      |       |                           |   |                          |       | LCH Investment Co., Ltd. (Representative: Liu, Chung Chieh)                                                                               | Relative within two degree of kinship |         |
| Hong-Yu Investment Co., Ltd.                                                      | 15,676,900           | 4.17% | -                         | - | -                        | -     | None                                                                                                                                      | None                                  |         |
| Hong-Yu Investment Co., Ltd. (Representative: TSAO, Ming Hong)                    | 3,092,879            | 0.82% | -                         | - | 15,676,900               | 4.17% | None                                                                                                                                      | None                                  |         |
| CHEN KAO, Hsiu Hua                                                                | 12,855,176           | 3.42% | -                         | - | -                        | -     | None                                                                                                                                      | None                                  |         |
| Dedicated account for Yong Zhu Investment Co., Ltd. at Taishin International Bank | 7,162,570            | 1.90% | -                         | - | -                        | -     | None                                                                                                                                      | None                                  |         |
| Yong Zhu Investment Co., Ltd. (Representative: HO, Pei Lin)                       | 1,500,000            | 0.40% | -                         | - | -                        | -     | HO, Ming Shiann                                                                                                                           | Relative within one degree of kinship |         |
|                                                                                   |                      |       |                           |   |                          |       | WU, Shu Chuan                                                                                                                             | Relative within one degree of kinship |         |
|                                                                                   |                      |       |                           |   |                          |       | HO, Pei Fen                                                                                                                               | Relative within two degree of kinship |         |



| Name          | Current Shareholding |       | Spouse/Minor Shareholding |       | Shareholding by Nominees |       | Title or Name and Relationship of Top Ten Shareholders who Are Related Parties, Spouses, or Relatives within the Second Degree of Kinship |                                                   | Re-mark |
|---------------|----------------------|-------|---------------------------|-------|--------------------------|-------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------|
|               | Shares               | %     | Shares                    | %     | Shares                   | %     | Name                                                                                                                                      | Relationship                                      |         |
|               |                      |       |                           |       |                          |       |                                                                                                                                           |                                                   |         |
| HO, Pei Fen   | 6,750,833            | 1.79% | -                         | -     | 3,249,167                | 0.86% | Chain-Yuan Investment Co., Ltd.                                                                                                           | The representative is a Supervisor of the company |         |
|               |                      |       |                           |       |                          |       | Chain-Yuan Investment Co., Ltd. (Representative: HO, Pei Shan)                                                                            | Relative within two degree of kinship             |         |
|               |                      |       |                           |       |                          |       | HO, Ming Shiann                                                                                                                           | Relative within one degree of kinship             |         |
|               |                      |       |                           |       |                          |       | WU, Shu Chuan                                                                                                                             | Relative within one degree of kinship             |         |
| WU, Shu Chuan | 5,702,198            | 1.52% | 26,312,540                | 7.00% | -                        | -     | Yong Zhu Investment Co., Ltd. (Representative: HO, Pei Lin)                                                                               | Relative within two degree of kinship             |         |
|               |                      |       |                           |       |                          |       | Chain-Yuan Investment Co., Ltd. (Representative: HO, Pei Shan)                                                                            | Relative within two degree of kinship             |         |
|               |                      |       |                           |       |                          |       | HO, Ming Shiann                                                                                                                           | Spouse                                            |         |
|               |                      |       |                           |       |                          |       | HO, Pei Fen                                                                                                                               | Relative within one degree of kinship             |         |
|               |                      |       |                           |       |                          |       | Chain-Yuan Investment Co., Ltd.                                                                                                           | Being a Director of the company                   |         |
|               |                      |       |                           |       |                          |       | Chain-Yuan Investment Co., Ltd. (Representative: HO, Pei Shan)                                                                            | Relative within one degree of kinship             |         |
|               |                      |       |                           |       |                          |       | Yong Zhu Investment Co., Ltd. (Representative: HO, Pei Lin)                                                                               | Relative within one degree of kinship             |         |
|               |                      |       |                           |       |                          |       | LCH Investment Co., Ltd. (Representative: Liu, Chung Chieh)                                                                               | Relative within two degree of kinship             |         |

| Name                                                                         | Current Shareholding |       | Spouse/Minor Shareholding |       | Shareholding by Nominees |   | Title or Name and Relationship of Top Ten Shareholders who Are Related Parties, Spouses, or Relatives within the Second Degree of Kinship |                                                 | Re-mark |
|------------------------------------------------------------------------------|----------------------|-------|---------------------------|-------|--------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------|
|                                                                              | Shares               | %     | Shares                    | %     | Shares                   | % | Name                                                                                                                                      | Relationship                                    |         |
| Weltrend Semiconductor, Inc.                                                 | 5,386,000            | 1.43% | -                         | -     | -                        | - | None                                                                                                                                      | None                                            |         |
| Weltrend Semiconductor, Inc.<br>(Representative: Lin, His Ming)              | 290,000              | 0.08% | -                         | -     | -                        | - | None                                                                                                                                      | None                                            |         |
| Dedicated account for LCH Investment Co., Ltd. at Taishin International Bank | 5,250,000            | 1.40% | -                         | -     | -                        | - | None                                                                                                                                      | None                                            |         |
| LCH Investment Co., Ltd.<br>(Representative: Liu, Chung Chieh)               | -                    | -     | 1,687,031                 | 0.45% | -                        | - | HO, Ming Shiann                                                                                                                           | Relative within two degree of kinship           |         |
|                                                                              |                      |       |                           |       |                          |   | WU, Shu Chuan                                                                                                                             | Relative within two degree of kinship           |         |
|                                                                              |                      |       |                           |       |                          |   | Chain-Yuan Investment Co., Ltd.                                                                                                           | The representative is a Director of the company |         |
|                                                                              |                      |       |                           |       |                          |   | Chain-Yuan Investment Co., Ltd.<br>(Representative: HO, Pei Shan)                                                                         | Spouse                                          |         |

**X. Information on the Number of Shares Held by the Company, Directors, Managers, and Companies Directly or Indirectly Controlled by the Company:**

**Total Shareholding**

December 31, 2020 Unit: Shares

| Invested Companies<br>(Note)                     | Investment by the Company |                   | Investment by Directors,<br>Managers and by<br>companies directly or<br>indirectly controlled by the<br>Company |                   | Total Investment |                   |
|--------------------------------------------------|---------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------|-------------------|------------------|-------------------|
|                                                  | Shares                    | Shareholding<br>% | Shares                                                                                                          | Shareholding<br>% | Shares           | Shareholding<br>% |
| Atrans Precision Industries Co., Ltd.            | 25,782,134                | 72.24             | 4,737,380                                                                                                       | 13.27             | 30,519,514       | 85.51             |
| United Elite Agents Limited                      | 667,820                   | 100.00            | -                                                                                                               | -                 | 667,820          | 100.00            |
| CMJ CO., LTD.                                    | 500                       | 83.33             | -                                                                                                               | -                 | 500              | 83.33             |
| Sunflower Investment Co., Ltd.                   | 67,006,291                | 99.00             | 649,754                                                                                                         | 0.96              | 67,656,045       | 99.96             |
| China Metal Automotive International Co., Ltd.   | 940,000                   | 94.00             | -                                                                                                               | -                 | 940,000          | 94.00             |
| Pu Sheng Construction Co., Ltd.                  | 3,000                     | 30.00             | 2,000                                                                                                           | 20.00             | 5,000            | 50.00             |
| PUJEN Land Development Co., Ltd.                 | 158,877,643               | 56.65             | 52,624,795                                                                                                      | 18.76             | 211,502,438      | 75.41             |
| Amida Trustlink Assets Management Co., Ltd.      | 16,763,726                | 35.21             | 7,538,717                                                                                                       | 15.83             | 24,302,443       | 51.04             |
| The Hotel National Co., Ltd.                     | 31,200,000                | 100.00            | -                                                                                                               | -                 | 31,200,000       | 100.00            |
| National Management Co., Ltd.                    | 1,000,000                 | 100.00            | -                                                                                                               | -                 | 1,000,000        | 100.00            |
| The Splendor Hospitality International Co., Ltd. | 97,500,000                | 50.00             | -                                                                                                               | -                 | 97,500,000       | 50.00             |
| Shangrila Tourism Co., Ltd.                      | 18,131,840                | 80.00             | 4,532,960                                                                                                       | 20                | 22,664,800       | 100.00            |
| CMAAN Health Co., Ltd.                           | 5,000,000                 | 50.00             | -                                                                                                               | -                 | 5,000,000        | 50.00             |
| InterContinental Taichung Co., Ltd.              | 30,000                    | 100.00            | -                                                                                                               | -                 | 30,000           | 100.00            |
| Calligraphy Greenway Plaza Co., Ltd.             | 3,000,000                 | 100.00            | -                                                                                                               | -                 | 3,000,000        | 100.00            |

Note: Investment using the equity method by CMP.

## Chapter 4 Capital Overview

### I. Capital and Shares

#### (I) Sources of Capital

##### 1. Capitalization

Unit: Shares; NTD

| Month/<br>Year | Issue<br>Price | Authorized Capital |             | Paid-in Capital |             | Remark                                                                                                        |                                                         |                         |
|----------------|----------------|--------------------|-------------|-----------------|-------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------|
|                |                | Shares             | Amount      | Shares          | Amount      | Sources of Capital                                                                                            | Capital Increased<br>by Assets Other<br>than Cash Other | Others                  |
| 1972.09        | 1,000          | 1,000              | 1,000,000   | 1,000           | 1,000,000   | Cash capital<br>establishment                                                                                 | No                                                      |                         |
| 1976.02        | 1,000          | 20,000             | 20,000,000  | 20,000          | 20,000,000  | Cash<br>NTD 19,000,000                                                                                        | No                                                      |                         |
| 1978.11        | 1,000          | 40,000             | 40,000,000  | 40,000          | 40,000,000  | Cash<br>NTD 20,000,000                                                                                        | No                                                      |                         |
| 1981.03        | 1,000          | 70,000             | 70,000,000  | 70,000          | 70,000,000  | Cash<br>NTD 30,000,000                                                                                        | No                                                      |                         |
| 1985.08        | 1,000          | 100,000            | 100,000,000 | 100,000         | 100,000,000 | Cash<br>NTD 30,000,000                                                                                        | No                                                      |                         |
| 1988.09        | 1,000          | 146,000            | 146,000,000 | 146,000         | 146,000,000 | Cash<br>NTD 46,000,000                                                                                        | No                                                      |                         |
| 1990.06        | 10             | 19,260,000         | 192,600,000 | 19,260,000      | 192,600,000 | Cash<br>NTD 46,600,000                                                                                        | No                                                      |                         |
| 1990.08        | 10             | 19,990,000         | 199,900,000 | 19,900,000      | 199,900,000 | Retained earnings<br>NTD 7,300,000                                                                            | No                                                      |                         |
| 1991.03        | 10             | 27,330,000         | 273,300,000 | 27,330,000      | 273,300,000 | Cash<br>NTD 73,400,000                                                                                        | No                                                      | No. (80)TCZ(1)<br>00614 |
| 1991.10        | 10             | 43,000,000         | 430,000,000 | 31,429,500      | 314,295,000 | Retained earnings<br>NTD 27,330,000<br>Capital reserve<br>NTD 13,665,000                                      | No                                                      | No. (80)TCZ(1)<br>01558 |
| 1992.09        | 10             | 43,000,000         | 430,000,000 | 40,572,450      | 405,724,500 | Retained earnings<br>NTD 31,429,500<br>Cash<br>NTD 60,000,000                                                 | No                                                      | No. (81)TCZ(1)<br>02015 |
| 1993.09        | 10             | 44,629,695         | 446,296,950 | 44,629,695      | 446,296,950 | Retained earnings<br>NTD 20,286,230<br>Capital reserve<br>NTD 20,286,220                                      | No                                                      | No. (82)TCZ(1)<br>30949 |
| 1994.07        | 10             | 49,092,665         | 490,926,650 | 49,092,665      | 490,926,650 | Retained earnings<br>NTD 22,314,850<br>Capital reserve<br>NTD 22,314,850                                      | No                                                      | No. (83)TCZ(1)<br>32686 |
| 1995.07        | 10             | 72,000,000         | 720,000,000 | 56,681,566      | 566,815,660 | Retained earnings<br>NTD 49,092,670<br>Capital reserve<br>NTD 24,546,340<br>Employee bonuses<br>NTD 2,250,000 | No                                                      | No.(84)TCZ(1)<br>39286  |
| 1996.10        | 10             | 72,000,000         | 720,000,000 | 62,349,724      | 623,497,240 | Retained earnings<br>NTD 28,340,790<br>Capital reserve<br>NTD 28,340,790                                      | No                                                      | No.(85)TCZ(1)<br>62076  |

| Month/<br>Year | Issue<br>Price | Authorized Capital |               | Paid-in Capital |               | Remark                                                                                                                                                           |                                                         |                             |
|----------------|----------------|--------------------|---------------|-----------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------|
|                |                | Shares             | Amount        | Shares          | Amount        | Sources of Capital                                                                                                                                               | Capital Increased<br>by Assets Other<br>than Cash Other | Others                      |
| 1997.10        | 10             | 100,000,000        | 1,000,000,000 | 83,584,697      | 835,846,970   | Retained earnings<br>NTD 31,174,870<br>Capital reserve<br>NTD 31,174,860<br>Cash<br>NTD 150,000,000                                                              | No                                                      | No.(86)TCZ(1)<br>58450      |
| 1998.08        | 10             | 100,000,000        | 1,000,000,000 | 96,362,401      | 963,624,010   | Retained earnings<br>NTD 75,226,220<br>Capital reserve<br>NTD 50,150,820<br>Employee bonuses<br>NTD 2,400,000                                                    | No                                                      | No.(87)TCZ(1)<br>59492      |
| 1999.08        | 10             | 100,216,897        | 1,002,168,970 | 100,216,897     | 1,002,168,970 | Retained earnings<br>NTD 19,272,480<br>Capital reserve<br>NTD 19,272,480                                                                                         | No                                                      | No.(88)TCZ(1)<br>66183      |
| 2000.09        | 10             | 105,477,742        | 1,054,777,420 | 105,477,742     | 1,054,777,420 | Retained earnings<br>NTD 30,065,070<br>Capital reserve<br>NTD 20,043,380<br>Employee bonuses<br>NTD 2,500,000                                                    | No                                                      | No.(89)TCZ(1)<br>74344      |
| 2001.07        | 10             | 111,854,927        | 1,118,549,270 | 111,854,927     | 1,118,549,270 | Retained earnings<br>NTD 40,847,900<br>Capital reserve<br>NTD 20,423,950<br>Employee bonuses<br>NTD 2,500,000                                                    | No                                                      | No.(90)TCZ(1)<br>138424     |
| 2002.07        | 10             | 160,000,000        | 1,600,000,000 | 115,229,836     | 1,152,298,360 | Retained earnings<br>NTD 10,449,700<br>Capital reserve<br>NTD 20,899,390<br>Employee bonuses<br>NTD 2,400,000                                                    | No                                                      | No.(91)TCZ(1)<br>0910140872 |
| 2003.04        | 10             | 160,000,000        | 1,600,000,000 | 118,141,945     | 1,181,419,450 | Corporate bonds<br>conversion<br>NTD 29,121,090                                                                                                                  | No                                                      | No. JSS<br>09201115280      |
| 2003.07        | 10             | 160,000,000        | 1,600,000,000 | 124,380,437     | 1,243,804,370 | Corporate bonds<br>conversion<br>NTD 62,384,920                                                                                                                  | No                                                      | No. JSS<br>09201213230      |
| 2003.09        | 10             | 200,000,000        | 2,000,000,000 | 134,544,627     | 1,345,446,270 | Retained earnings<br>NTD 56,641,970<br>Capital reserve<br>NTD 11,328,390<br>Employee bonuses<br>NTD 2,500,000<br>Corporate bonds<br>conversion<br>NTD 31,171,540 | No                                                      | No.(92)TCZ(1)<br>0920134299 |
| 2004.01        | 10             | 200,000,000        | 2,000,000,000 | 135,130,440     | 1,351,304,400 | Corporate bonds<br>conversion<br>NTD 5,858,130                                                                                                                   | No                                                      | No. JSS<br>09301009910      |
| 2004.04        | 10             | 200,000,000        | 2,000,000,000 | 146,983,968     | 1,469,839,680 | Corporate bonds<br>conversion<br>NTD 118,535,280                                                                                                                 | No                                                      | No. JSS<br>09301076570      |
| 2004.07        | 10             | 200,000,000        | 2,000,000,000 | 151,496,866     | 1,514,968,660 | Corporate bonds<br>conversion<br>NTD 45,128,980                                                                                                                  | No                                                      | No. JSS<br>09301132630      |
| 2004.08        | 10             | 200,000,000        | 2,000,000,000 | 163,641,803     | 1,636,418,030 | Retained earnings<br>NTD 72,273,480,<br>Capital reserve<br>NTD 43,364,090<br>Employee bonuses<br>NTD 5,000,000                                                   | No                                                      | No. JSS<br>09301154960      |

| Month/<br>Year | Issue<br>Price | Authorized Capital |               | Paid-in Capital |               | Remark                                                                                                                                                             |                                                         |                        |
|----------------|----------------|--------------------|---------------|-----------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|------------------------|
|                |                | Shares             | Amount        | Shares          | Amount        | Sources of Capital                                                                                                                                                 | Capital Increased<br>by Assets Other<br>than Cash Other | Others                 |
|                |                |                    |               |                 |               | Corporate bonds<br>conversion<br>NTD 811,800                                                                                                                       |                                                         |                        |
| 2004.11        | 10             | 200,000,000        | 2,000,000,000 | 166,072,057     | 1,660,720,570 | Corporate bonds<br>conversion<br>NTD 24,302,540                                                                                                                    | No                                                      | No. JSS<br>09301214800 |
| 2005.05        | 10             | 200,000,000        | 2,000,000,000 | 170,980,393     | 1,709,803,930 | Corporate bonds<br>conversion<br>NTD 49,083,360                                                                                                                    | No                                                      | No. JSS<br>09401075820 |
| 2005.09        | 10             | 200,000,000        | 2,000,000,000 | 178,253,123     | 1,782,531,230 | Cash<br>NTD 72,727,300                                                                                                                                             | No                                                      | No. JSS<br>09401173610 |
| 2005.09        | 10             | 230,000,000        | 2,300,000,000 | 193,201,489     | 1,932,014,890 | Retained earnings<br>NTD 119,669,540,<br>Capital reserve<br>NTD 17,095,640<br>Employee bonuses<br>NTD 5,000,000<br>Corporate bonds<br>conversion<br>NTD 7,718,480  | No                                                      | No. JSS<br>09401179240 |
| 2006.01        | 10             | 230,000,000        | 2,300,000,000 | 183,451,839     | 1,834,518,390 | Corporate bonds<br>conversion<br>NTD 2,503,500<br>Cancellation of<br>treasury shares<br>10,000,000 shares                                                          | No                                                      | No. JSS<br>09501010060 |
| 2006.04        | 10             | 230,000,000        | 2,300,000,000 | 186,049,239     | 1,860,492,390 | Corporate bonds<br>conversion<br>NTD 25,974,000                                                                                                                    | No                                                      | No. JSS<br>09501067830 |
| 2006.06        | 10             | 230,000,000        | 2,300,000,000 | 188,586,035     | 1,885,860,350 | Corporate bonds<br>conversion<br>NTD 25,367,960                                                                                                                    | No                                                      | No. JSS<br>09501126660 |
| 2006.08        | 10             | 230,000,000        | 2,300,000,000 | 206,655,441     | 2,066,554,410 | Retained earnings<br>NTD 56,575,810,<br>Capital reserve<br>NTD 18,858,600<br>Employee bonuses<br>NTD 5,000,000<br>Corporate bonds<br>conversion<br>NTD 100,259,650 | No                                                      | No. JSS<br>09501193990 |
| 2007.01        | 10             | 230,000,000        | 2,300,000,000 | 210,605,868     | 2,106,058,680 | Corporate bonds<br>conversion<br>NTD 39,504,270                                                                                                                    | No                                                      | No. JSS<br>09601008810 |
| 2007.04        | 10             | 230,000,000        | 2,300,000,000 | 210,777,037     | 2,107,770,370 | Corporate bonds<br>conversion<br>NTD 1,711,690                                                                                                                     | No                                                      | No. JSS<br>09601079050 |
| 2007.07        | 10             | 400,000,000        | 4,000,000,000 | 210,777,037     | 2,107,770,370 | Corporate bonds<br>conversion<br>NTD 0                                                                                                                             | No                                                      | No. JSS<br>09601163320 |
| 2007.07        | 10             | 400,000,000        | 4,000,000,000 | 211,186,944     | 2,111,869,440 | Corporate bonds<br>conversion<br>NTD 4,099,070                                                                                                                     | No                                                      | No. JSS<br>09601169290 |
| 2007.09        | 10             | 400,000,000        | 4,000,000,000 | 237,201,088     | 2,372,010,880 | Retained earnings<br>NTD 231,938,970,<br>Capital reserve<br>NTD 21,085,360<br>Employee bonuses<br>NTD 5,000,000<br>Corporate bonds<br>conversion<br>NTD 2,117,110  | No                                                      | No. JSS<br>09601219740 |
| 2008.01        | 10             | 400,000,000        | 4,000,000,000 | 241,266,742     | 2,412,667,420 | Corporate bonds<br>conversion<br>NTD 40,656,540                                                                                                                    | No                                                      | No. JSS<br>09701012740 |

| Month/<br>Year | Issue<br>Price | Authorized Capital |               | Paid-in Capital |               | Remark                                                                                                          |                                                         |                        |
|----------------|----------------|--------------------|---------------|-----------------|---------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|------------------------|
|                |                | Shares             | Amount        | Shares          | Amount        | Sources of Capital                                                                                              | Capital Increased<br>by Assets Other<br>than Cash Other | Others                 |
| 2008.04        | 10             | 400,000,000        | 4,000,000,000 | 244,221,287     | 2,442,212,870 | Corporate bonds<br>conversion<br>NTD 29,545,450                                                                 | No                                                      | No. JSS<br>09701090970 |
| 2008.07        | 10             | 400,000,000        | 4,000,000,000 | 244,246,539     | 2,442,465,390 | Corporate bonds<br>conversion<br>NTD 252,520                                                                    | No                                                      | No. JSS<br>09701174100 |
| 2008.08        | 10             | 400,000,000        | 4,000,000,000 | 261,434,539     | 2,614,345,390 | Cash<br>-private offering<br>NTD 171,880,000                                                                    | No                                                      | No. JSS<br>09701206830 |
| 2008.09        | 10             | 400,000,000        | 4,000,000,000 | 281,472,242     | 2,814,722,420 | Retained earnings<br>NTD 170,954,900,<br>Capital reserve<br>NTD 24,422,130<br>Employee bonuses<br>NTD 5,000,000 | No                                                      | No. JSS<br>09701248020 |
| 2008.12        | 10             | 400,000,000        | 4,000,000,000 | 271,472,242     | 2,714,722,420 | Cancellation of<br>treasury shares<br>10,000,000 shares                                                         | No                                                      | No. JSS<br>09701323100 |
| 2009.11        | 10             | 400,000,000        | 4,000,000,000 | 276,901,686     | 2,769,016,860 | Retained earnings<br>NTD 54,294,440                                                                             | No                                                      | No. JSS<br>09801265130 |
| 2010.08        | 10             | 400,000,000        | 4,000,000,000 | 346,127,107     | 3,461,271,070 | Retained earnings<br>NTD 692,254,210                                                                            | No                                                      | No. JSS<br>09901190740 |
| 2011.08        | 10             | 400,000,000        | 4,000,000,000 | 373,817,275     | 3,738,172,750 | Retained earnings<br>NTD 276,901,680                                                                            | No                                                      | No. JSS<br>10001186630 |
| 2012.01        | 10             | 400,000,000        | 4,000,000,000 | 363,817,275     | 3,638,172,750 | Cancellation of<br>treasury shares<br>10,000,000 shares                                                         | No                                                      | No. JSS<br>10101000940 |
| 2012.08        | 10             | 400,000,000        | 4,000,000,000 | 378,369,966     | 3,783,699,660 | Retained earnings<br>NTD 145,526,910                                                                            | No                                                      | No. JSS<br>10101168860 |
| 2013.08        | 10             | 400,000,000        | 4,000,000,000 | 385,937,365     | 3,859,373,650 | Retained earnings<br>NTD 75,673,990                                                                             | No                                                      | No. JSS<br>10201178050 |
| 2014.08        | 10             | 400,000,000        | 4,000,000,000 | 393,656,112     | 3,936,561,120 | Retained earnings<br>NTD 77,187,470                                                                             | No                                                      | No. JSS<br>10301175720 |
| 2015.12        | 10             | 400,000,000        | 4,000,000,000 | 385,252,112     | 3,852,521,120 | Cancellation of<br>treasury shares<br>8,404,000 shares                                                          | No                                                      | No. JSS<br>10401266390 |
| 2019.07        | 10             | 500,000,000        | 5,000,000,000 | 385,252,112     | 3,852,521,120 | -                                                                                                               | No                                                      | No. JSS<br>10801088560 |
| 2020.09        | 10             | 500,000,000        | 5,000,000,000 | 376,122,112     | 3,761,221,120 | Cancellation of<br>treasury shares<br>9,130,000 shares                                                          | No                                                      | No. JSS<br>10901177240 |

## 2. Type of Shares

April 27, 2021 Unit: shares

| Type of Shares           | Authorized Capital |          |                 |             | Remark |
|--------------------------|--------------------|----------|-----------------|-------------|--------|
|                          | Issued Shares      |          | Unissued Shares | Total       |        |
|                          | Listed             | Unlisted |                 |             |        |
| Registered Common Shares | 376,122,112        | -        | 123,877,888     | 500,000,000 | -      |

## 3. Information on the shelf registration system: None.

(II) Shareholder Structure

April 27, 2021 Unit: shares

| Shareholder<br>Structure<br>Quantity | Government<br>Agencies | Financial<br>Institutions | Other<br>Institutional<br>Shareholders | Domestic<br>Natural<br>Persons | Foreign<br>Institutions<br>& Natural<br>Persons | Total       |
|--------------------------------------|------------------------|---------------------------|----------------------------------------|--------------------------------|-------------------------------------------------|-------------|
| Number of<br>shareholders            | 1                      | 3                         | 96                                     | 14,797                         | 130                                             | 15,027      |
| Shares                               | 19                     | 30,344,000                | 119,065,128                            | 176,157,990                    | 50,554,975                                      | 376,122,112 |
| %                                    | 0.00%                  | 8.07%                     | 31.65%                                 | 46.84%                         | 13.44%                                          | 100%        |

(III) Shareholding Distribution Status

1. Common stock

April 27, 2021 Unit: shares

| Range of Shares     | Number of Shareholders | Shares      | %      |
|---------------------|------------------------|-------------|--------|
| 1 - 999             | 7,095                  | 1,205,350   | 0.32   |
| 1,000 - 5,000       | 5,411                  | 11,565,526  | 3.07   |
| 5,001 - 10,000      | 1,022                  | 7,572,042   | 2.01   |
| 10,001 - 15,000     | 402                    | 4,972,399   | 1.32   |
| 15,001 - 20,000     | 231                    | 4,198,879   | 1.12   |
| 20,001 - 30,000     | 235                    | 5,825,303   | 1.55   |
| 30,001 - 40,000     | 109                    | 3,878,821   | 1.03   |
| 40,001 - 50,000     | 85                     | 3,890,310   | 1.03   |
| 50,001 - 100,000    | 176                    | 12,272,766  | 3.26   |
| 100,001 - 200,000   | 94                     | 13,422,388  | 3.57   |
| 200,001 - 400,000   | 67                     | 18,837,102  | 5.01   |
| 400,001 - 600,000   | 30                     | 14,510,167  | 3.86   |
| 600,001 - 800,000   | 15                     | 10,415,037  | 2.77   |
| 800,001 - 1,000,000 | 5                      | 4,459,679   | 1.19   |
| 1,000,001 or more   | 50                     | 259,096,343 | 68.89  |
| Total               | 15,027                 | 376,122,112 | 100.00 |

2. Preferred shares: None.



(IV) Major Shareholders

Name, number of shares held and shareholding percentage of shareholders who hold more than 5% of the shares or the top ten shareholders:

April 27, 2021 Unit: shares

| Shareholder's Name \ Share Type                                                   | Shares     | %     |
|-----------------------------------------------------------------------------------|------------|-------|
| Chain-Yuan Investment Co., Ltd.                                                   | 51,188,965 | 13.61 |
| Fubon Life Insurance Co., Ltd.                                                    | 27,944,000 | 7.43  |
| HO, Ming Shiann                                                                   | 26,312,540 | 7.00  |
| Hong-Yu Investment Co., Ltd.                                                      | 15,676,900 | 4.17  |
| CHEN KAO, Hsiu Hua                                                                | 12,855,176 | 3.42  |
| Dedicated account for Yong Zhu Investment Co., Ltd. at Taishin International Bank | 7,162,570  | 1.90  |
| HO, Pei Fen                                                                       | 6,750,833  | 1.79  |
| WU, Shu Chuan                                                                     | 5,702,198  | 1.52  |
| Weltrend Semiconductor, Inc.                                                      | 5,386,000  | 1.43  |
| Dedicated account for LCH Investment Co., Ltd. at Taishin International Bank      | 5,250,000  | 1.40  |

(V) Share prices for the past two fiscal years, with company net worth per share, earnings per share, dividends per share, and related information:

Unit: NTD

| Item \ Year              |                                           |                   | 2019    | 2020    | As of March 31, 2021 |
|--------------------------|-------------------------------------------|-------------------|---------|---------|----------------------|
| Market Price Per Share   | Highest                                   |                   | 40.15   | 34.75   | 32.40                |
|                          | Lowest                                    |                   | 30.05   | 20.70   | 29.80                |
|                          | Average                                   |                   | 34.38   | 28.88   | 28.88                |
| Net Worth Per Share      | Before Distribution                       |                   | 30.86   | 31.65   | -                    |
|                          | After Distribution                        |                   | 29.96   | 30.63   | (Note 1)             |
| Earnings Per Share (NTD) | Weighted Average Shares (thousand shares) |                   | 385,252 | 380,040 | -                    |
|                          | Earnings Per Share (NTD)                  | Before Adjustment | 1.32    | 1.47    | -                    |
|                          |                                           | After Adjustment  | 1.32    | 1.47    | (Note 1)             |

| Item \ Year          |                                    |                                            | 2019       | 2020     | As of March 31, 2021 |
|----------------------|------------------------------------|--------------------------------------------|------------|----------|----------------------|
| Dividends Per Share  | Cash dividends                     |                                            | 0.92184663 | 1.03     | (Note 1)             |
|                      | Stock Dividends                    | Stock dividends appropriated from earnings | 0          | 0        | (Note 1)             |
|                      |                                    | Dividends from Capital Surplus             | 0          | 0        | (Note 1)             |
|                      | Accumulated Undistributed Dividend |                                            | (Note 5)   | (Note 5) | (Note 5)             |
| Return on Investment | Price / Earnings Ratio (Note 2)    |                                            | 26.04      | 19.65    | (Note 1)             |
|                      | Price / Dividend Ratio (Note 3)    |                                            | 37.29      | 28.04    | (Note 1)             |
|                      | Cash Dividend Yield (Note 4)       |                                            | 2.68%      | 3.57%    | (Note 1)             |

Note 1: Not yet allocated.

Note 2: Price/Earnings Ratio = Average Market Price / Earnings Per Share

Note 3: Price/Dividend Ratio = Average Market Price / Cash Dividends Per Share

Note 4: Cash Dividend Yield = Cash Dividends Per Share / Average Market Price

Note 5: According to the equity securities issuance regulations, the condition where undistributed dividend may be deferred and accumulated to future financial year which generated earnings is not applicable to the Company.

#### (VI) Dividend Policy and Implementation thereof

##### 1. Dividend Policy

Based on the Articles of Association, the annual earnings of the Company shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earning to the legal reserve (not applicable where accumulated legal reserve has reached the amount required by law and regulations) and a special reserve in accordance to CMP's operating needs and pursuant to the applicable law and regulations. Any retained earnings available for distribution together with accumulated undistributed retained earnings may be proposed by the Board of Directors to appropriate and be resolved at the Annual General Meeting. Where dividends and bonuses are distributed entirely or partially in cash, the Board of Directors shall be authorized to determine such distribution by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the Directors and report to the Annual General Meeting. The Company is currently at a developing stage with steady profit and stable future cash flow with major investment plans in the future, hence the dividend distribution policy is subject to the Company's future capital needs and long-term financial strategies. Thus, dividends are distributed based on a "residual dividend policy", where both cash dividends and stock dividends are distributed, in which the stock dividends shall be less than 70% of the total dividends.

2. Distribution of Dividends reported at the Annual General Meeting

CMP's appropriations of earnings in cash dividends to shareholders for 2020

(1) CMP's appropriations of earnings in cash dividends to shareholders for 2020 have been approved by the Board of Directors as stipulated in Article 27 of the Articles of Incorporation. The appropriation of earnings in cash dividends is NTD 1.03 per share, which amounted to NTD 387,405,775.

(2) The case was approved by the Board of Directors, authorizing the Chairman to set the ex-dividend date and other related matters. If there is a change in the number of common stock causing changes in the ratio of allotments per share, the Chairman is authorized to process it.

3. No Major Changes are expected with the Current Dividend Policy.

(VII) Impact on Business Performance and EPS by Stock Dividend Distribution Proposed at the Meeting of Shareholders:

The BOD resolved that no stock dividend distribution for the proposed earnings distribution for the year 2020.

(VIII) Employee Compensation and Remuneration for Directors and Supervisors

1. The Percentage of Employee Compensation and Remuneration for Directors and Supervisors in accordance with the Articles of Association:

Pursuant to Article 27-1 of the Articles of Association, the Company shall allocate a minimum of 2.5% as employee compensation, and a maximum of 2.5% shall be allocated as the Director's remuneration. However, current earning shall offset the accumulated losses, if any, before appropriate to the Directors and employees based on the percentages stipulated in the Articles of Incorporation. The proposal for employee compensation and director and supervisor remuneration for shall be subject to the resolution of the Board of Directors, and shall be reported to the shareholders meeting. Employees who are qualified to receive the Company's employee compensation, restricted employee shares, equity security, stock option for new shares, and purchase and transfer of shares are all employees including those in subsidiaries who meet the conditions set by the BOD.

2. Basis Used for Employee Compensation and Remuneration for Directors for the Year, Basis Used for Calculating the Number of Shares Distributed as Employee Compensation, and the Accounting of Variances Between the Actual Distribution and the Estimated Amount:

Pursuant to Article 27-1 of the Articles of Association (as described in the above paragraph) and taking the shareholder's equity as well as industry norms and economic environment as a whole, the

Company's 2020 pre-tax net profit is NTD 561,626,073 plus employee compensation and director remuneration is NTD 593,058,154. The Company proposed 2.8 % (NTD 16,605,628) and 2.49999 % (NTD 14,826,453) of the current earnings for employee compensation and Directors remuneration respectively and recognized based on the estimated amount for 2020. All employee compensation and director remuneration shall be paid in cash. Upon any variance between the actual distribution and the estimated amount, a change of accounting estimate shall follow and recognize in the profit or loss of the year of actual distribution.

3. The Resolution of Remuneration Distribution as Adopted by the BOD:

The proposal for the 2020 employee compensation and Directors remuneration distribution was approved by the BOD on March 30, 2021:

- (1) On March 30, 2021, the BOD has resolved to distribute the 2020 employee compensation of NTD 16,605,628 and Directors remuneration of NTD 14,826,453, as previously recognized in 2020. The targets of aforesaid employee compensation distribution are employees of CMP and its subsidiaries.
- (2) The proportion of employee shares weighing over the profit after tax and total employee cost for the current individual financial reports: The BOD has adopted the resolution that there will be no employees compensation distributed in forms of shares for 2020.

4. Prior Year's Actual Distribution for Employee Compensation and Remuneration for Directors (Including Allocated Shares, Amount, and Price per Share), as well as any Variance between the Recognized Amount, and to State the Reasons and Actions Taken:

- (1) On March 30, 2020, CMP BOD has adopted the resolution to distribute the 2019 employee compensation of NTD 15,662,444 and Directors remuneration of NTD 15,060,043. All have been paid in cash.
- (2) The 2019 estimated employee compensation and Directors remuneration amounted to NTD 15,662,444 and NTD 15,060,043, respectively, were recognized as operating costs or expenses in 2019. No variance was found between the actual distribution and estimated amount.

(IX) Buyback of Common Shares: None.

April 27, 2021

| Term of repurchase                                                                                 | First meeting of 2020                                                                                                                                        |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date of Board Resolution                                                                           | May 12, 2020                                                                                                                                                 |
| Purpose of repurchase                                                                              | Maintain company credit and shareholders' rights                                                                                                             |
| Scheduled period of repurchase                                                                     | May 13, 2020 to July 12, 2020                                                                                                                                |
| Scheduled price range of repurchase                                                                | NTD 20.00 to NTD 33.00. When the company's stock price falls below the lower limit of the price range, the company's shares will continue to be bought back. |
| Scheduled quantity of repurchase                                                                   | Common Share 12,000,000 shares                                                                                                                               |
| Actual period of repurchase                                                                        | May 13, 2020 to July 10, 2020                                                                                                                                |
| Price range of repurchase                                                                          | NTD 26.65 to NTD 30.55                                                                                                                                       |
| The average buyback price per share                                                                | NTD 28.17                                                                                                                                                    |
| Type and amount of shares repurchased (as a percentage of total issued shares)                     | Common Share 9,130,000 shares (2.37%)                                                                                                                        |
| Amount of shares repurchased                                                                       | NTD 257,223,288                                                                                                                                              |
| Ratio of quantity repurchased to scheduled quantity of repurchase (%)                              | 76.08                                                                                                                                                        |
| Shares that have been canceled or transferred                                                      | 9,130,000 shares                                                                                                                                             |
| Cumulative Shares of the Company                                                                   | 9,130,000 shares                                                                                                                                             |
| Proportion of cumulative number of shares held in the Company to total number of shares issued (%) | 2.37                                                                                                                                                         |

## II. Corporate Bonds

(I) Information on Corporate Bonds: None.

(II) Information on Convertible Corporate Bonds: None.

(III) Information on Exchangeable Corporate Bonds: None.

(IV) Status of Self-Registration: None.

(V) Information on Bonds with Warrants: None.

**III. Status of Preferred Shares: None.**

**IV. Status of Global Depository Receipts: None.**

**V. Status of Employee Stock Options: None.**

**VI. Status of New Restricted Employee Stocks: None.**

**VII. Status of Mergers and Acquisitions: None.**

**VIII. Status of Financing Plans and Implementation: None.**

## Chapter 5 Operating Overview

### I. Business Activities

#### (I) Businesses Scope

##### 1. Primary Business

- (1) CA01010 Iron and steel refining
- (2) CA01030 Iron and steel casting
- (3) CA01050 Iron and steel rolling, drawing, and extruding
- (4) CA01090 Aluminum casting manufacturing
- (5) CA01100 Aluminum material rolls over extends and crowding
- (6) CA01120 Copper casting
- (7) CA01130 Copper material rolls over extends and crowding
- (8) CB01990 Other machinery manufacturing not elsewhere classified
- (9) F106010 Wholesale of ironware
- (10) F108031 Wholesale of medical equipment
- (11) F110020 Wholesale of spectacles
- (12) F111090 Wholesale of building materials
- (13) F119010 Wholesale of electronic materials
- (14) F199990 Wholesale of other materials
- (15) F206010 Retail sale of ironware
- (16) F208031 Retail sale of medical equipment
- (17) F208050 Retail sale of the second type patent medicine
- (18) F210020 Retail sale of spectacles
- (19) F211010 Retail sale of building materials
- (20) F219010 Retail sale of electronic materials
- (21) F299990 Retail sale of other materials
- (22) F399040 Retail business without shops
- (23) H701010 Residence and buildings lease construction and development
- (24) H701020 Industrial factory buildings lease construction and development
- (25) HZ02010 Financial institution creditor's right (money) purchase
- (26) ZZ99999 In addition to the above licensed businesses, the Company may operate any other businesses that are not prohibited or restricted by law, except for those that are subject to special approvals

## 2. Product Revenue Breakdown

Unit: NTD `000

| Business items                  | 2020       | Proportion of Revenue (%) |
|---------------------------------|------------|---------------------------|
| Metal Manufacturing Segment     | 9,882,529  | 75.29                     |
| Real Estate Development Segment | 2,619,560  | 19.96                     |
| Lifestyle Hospitality Segment   | 623,810    | 4.75                      |
| Total                           | 13,125,899 | 100.00                    |

## 3. Current Products and Services

The consolidated company's primary business includes metal products development, production, processing and sales, shopping mall, restaurant and theme park management, and real estate development. The metal manufacturing products are divided into grey cast iron (FC), ductile cast iron (FCD) and aluminum products based on different materials and are used to mainly supply for automotive parts, construction hardware, machinery and tools, electrical parts, and transmission system parts. The Retail Business Division is responsible for operating the department stores located at the Park Lane by CMP in Taichung and the joint venture with Park Lane by Splendor, while providing clothing, food and beverages, books, and stationary. Hostels that feature the combination of humanity, nature, and technology have also been introduced. The Retail Business Division is laying the foundation for the transformation of an entire new modern Traditional market - the Sixth Market.

## 4. Future Product and Services Development Plans

- A. R&D and production of agricultural machinery and tools related casting parts, and precision processing;
- B. R&D and production of automobile engine, chassis, differential case and other parts and precision processing;
- C. R&D and production of high molybdenum silicon casting parts and precision processing;
- D. R&D and production of high specification casting product materials and precision processing;
- E. R&D and production of magnesium aluminum compound casting and precision processing;
- F. R&D and production of hydraulic part casting and precision processing;
- G. Land development and construction and sales of quality residential buildings;
- H. Hotel management and quality dining services;
- I. Retail shopping mall management and commercial real estate management.

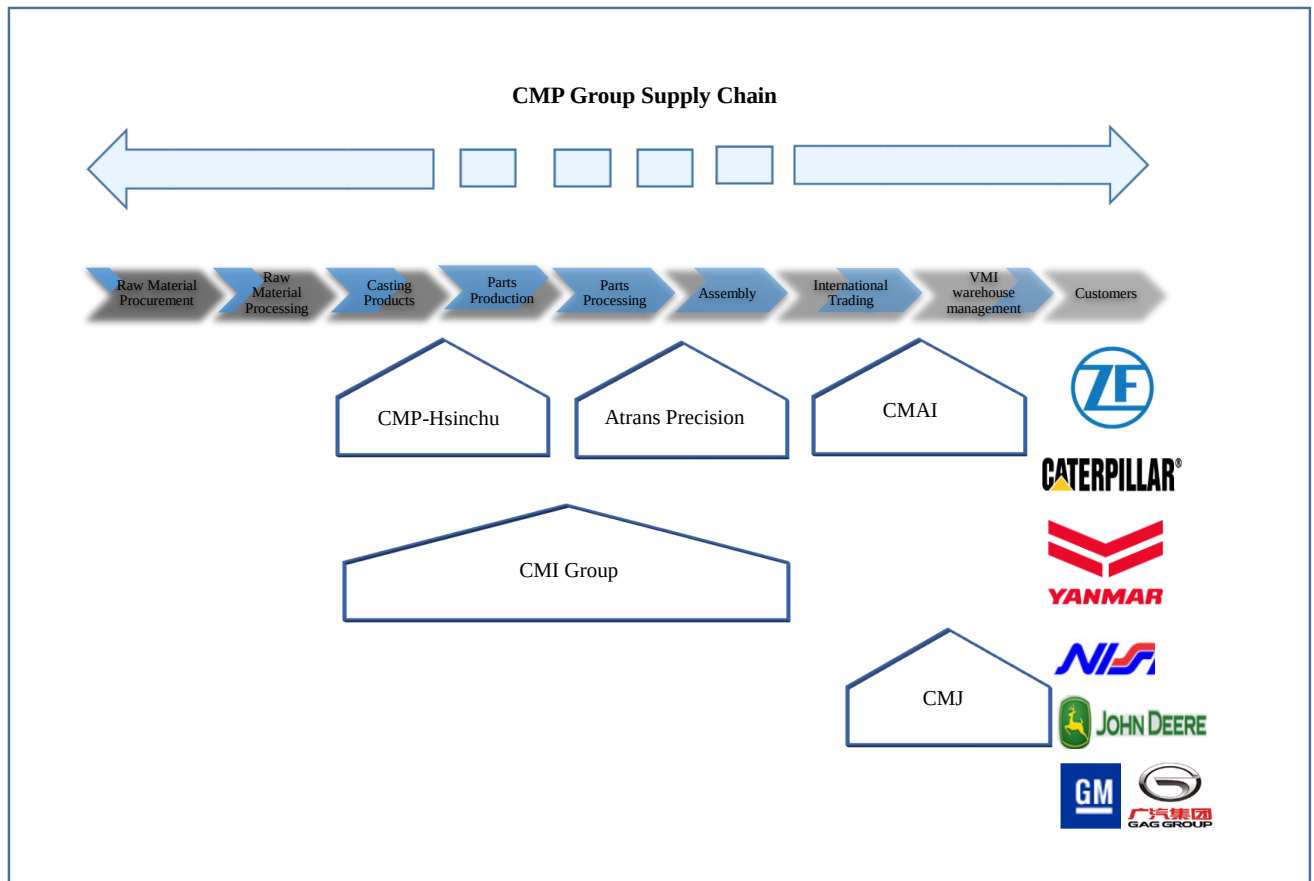


## (II) Industry Overview

### 1. Industry Status and Development

The foundry industry supplies raw materials for other industries and therefore is firmly connected with other industries. With increasing casting production capacity, improving production efficiency, and growing global environmental protection awareness, most international manufacturers are turning away from the 3K (dangerous, dirty and difficult) business by introducing environmentally friendly green equipment such as solar energy, combining with the infusion of computer solidification simulation, smart equipment, and mechanical arms. Together with the aid of a systematic management approach, the characteristics of a long-life span, and a high recycling rate of iron casting products, the foundry industry is phasing into an era of clean and precision production. Although affected by the decline in domestic economic growth, the uncertainty of China's economic restructuring and the global economic environment, the entire industry is still holding steady. With the introduction of new materials and new technologies such as AI and 3D printing, it will only further improve foundry techniques and support the industry to expand towards green and precision machining. Based on this, we are developing different metal products, increasing the proportion of precision processing and assembly, and will become a professional supplier of metal manufacturing products in the future.

The consolidated company is the paradigm of vertical integration: from manufacturing and processing of casting parts (CMP, CMS, CMW, and CMB) - precision processing and assembly (CMS, CMW, CMB, and Atrans Precision) - VMI logistics and marketing (CMAI and CMJ) - international manufacturers (automotive, machinery, compressor components). The compact vertical supply chain integration ventures into other related businesses and achieves synergy from the vertical division of work.



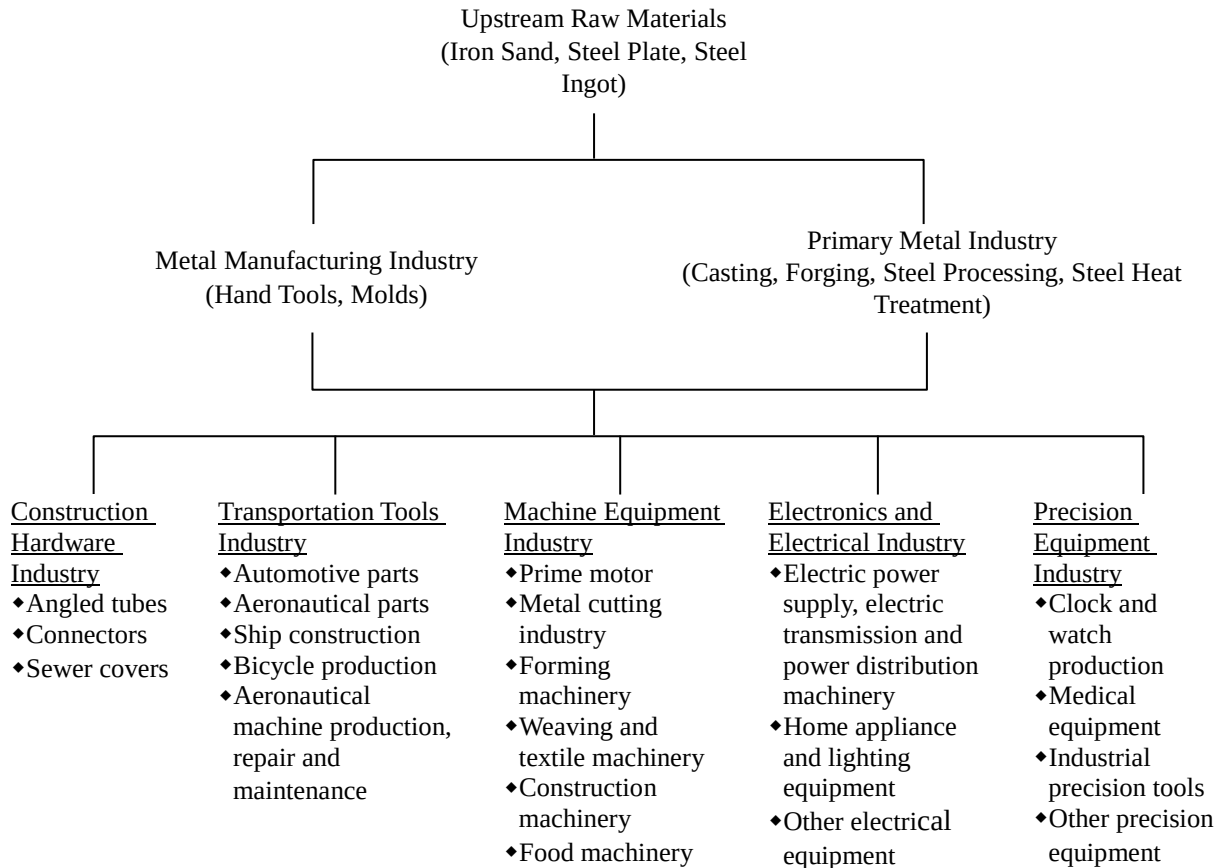
The upstream integration includes sales and localized services: CMP Group has built strong rapport and trust through years of collaboration with renowned international companies such as Ford, GM, TRW (U.S.A.), YANMAR (Japan.), and ZF. With extensive VMI warehouse management expertise, CMP is able to provide diversified logistic services through its own subsidiaries in the U.S.A. and Japan (CMAI and CMJ) to the customers.

For production and processing within midstream and downstream integration: CMP possesses experiences working with international manufacturers and have obtained numerous quality certifications such as IATF 16949, ISO 9001, ISO 14001, ISO 45001, and China Green Foundry Enterprise...etc. As such, CMP Group is able to establish a paradigm for the Taiwan automotive part manufacturers and facilitate quality improvement amongst them.

Although the domestic economic growth momentum has increased compared with previous years under the influence of the epidemic, it is limited by population and market size. The retail industry encounters fierce competition and offline distribution channels are profoundly affected by e-commerce. Through electronic payments, introduction of new hardware and software, partial renovations of the floor, counter layout adjustments, and introduction of new brands, CMP Group hopes to facilitate diversity and thus improve the richness in customer experience and competitiveness of the shopping malls through shaping of the overall street and creating a representative living circle.

## 2. Relationship Amongst Upstream, Midstream, and Downstream of the Industry

The consolidated company belongs to the "metal manufacturing" sector (including casting and precision processing) of the primary metal industry and along with the fabricated metal product sector serves as a fundamental pillar of the metal industry. The downstream sectors derived from the primary metal industry and fabricated metal product sector are as follows:



Source: Necessary Steps for Metal Industry Advancement

## 3. Product Development Trends and Competition Landscape

Apart from the few domestic professional foundry and precision processing businesses such as CMP, Yeong Guann Casting Iron Factory Co., Ltd., Chia Yi Steel Co., Ltd., Winson Machinery Co., Ltd., Mei Ta Industrial Co., Ltd., and Lio Ho Machine Works Ltd., most of the manufacturers are smaller in scale with lower production volumes and lack the knowhow of advanced techniques and automated equipment, making it difficult for them to compete against larger professional foundry businesses.

During recent years, China has acquired immense volume of resources from all over the world and as a result attracted customers in need of steady supply at lower costs from Asia. This action has created new business opportunities to those Asian manufacturers with economies of scale productivity and competitiveness, with the international automotive industry and agricultural machine industries being most proactive of all.

To adapt to the growth in customer demand and operations, manufacturers must consistently develop new casting alloys aiming to reduce weight and gain ductility, develop products with thin-walls yet with high strength, abrasion resistance, and heat resistance. Manufacturers shall also improve product quality and environmental safety, establish economies of scale production model and implement a financially stable platform.

With the recovery of the global economy, the consolidated company has been actively approaching for international business opportunities as well as in the area of real estate developments. Concurrently, the consolidated company is vigorously improving cost reduction methodology, progressively implementing automatic and green production process, and maintaining clean factory environments. Striving to achieve a new 3C production environment, the consolidated company is optimizing the product manufacturing process and promoting low-carbon production and energy saving measures. In addition, with the implementation of production flexibility and improving inventory management, the concept of sustainability and good management practices may help reducing operating risks, lead to an increase of competitiveness of the products and create a more versatile product range to service customers.

### (III) Overview of Technology, Research and Development

1. The R&D cost and the proportion for 2021 Q1 and past two years are listed in the table below. The annual R&D budget for 2021 is estimated at NTD 391,389 thousand. Each of the R&D plans is aimed at developing a new product, enhancing production technologies and efficiency, elevating customer satisfaction, and in turn yield an increase in revenue.

R&D Expenses/ Net Operating revenues (%)

Unit: NTD `000

| Year    | R&D Expenses | R&D Expenses/ Net Operating revenues (%) |
|---------|--------------|------------------------------------------|
| 2019    | 357,302      | 2.59%                                    |
| 2020    | 310,821      | 2.37%                                    |
| Q1 2021 | 95,814       | 2.65%                                    |

In order to improve the overall research and development capabilities and production efficiency, the consolidated company strives to uplift employees' understanding of new technology and knowledge through exchanges with counterparts of the same business and professional consultants. Based on the technologies accumulated over the years, the consolidated company spares no efforts to improve productivity and activate innovation energy through systematic management and inheritance, effectively shortening the learning curve and improving efficiency. The consolidated company is proactively developing new products and persistently focused on research and development of high quality and high precision casting part, as well as progressively expanding precision processing of casting products, enhancing production processes, and phasing towards high-end precision processing of casting parts to generate value-adding additions to the products.

## 2. Successful Technologies and Products from Research & Development

- (1) R&D and production of air conditioning compressor precision processing;
- (2) Development of machine tools and public construction related components;
- (3) Development of automotive key components, transmission and safety components;
- (4) Development of agricultural tractor engine components;
- (5) Retail business management, "Sixth Market" and other real estate management; and
- (6) CMP Village's Branding Program.

### (IV) Long and Short-Term Business Development Plans

#### Short-Term Business Development Plans

Metal manufacturing: (1) Dedicated to development of casting product and business expansion; and  
(2) Elevate precision processing techniques and business development of each plant within CMP Group.

Retail Business: (1) Improve hardware and software facility, improve convenience of shopping and parking, and make use of big data analysis to realize instant decision making, reflect industrial changes in a real time manner, and further deepen the relationship with customers;  
(2) Perform partial floor renovation, expand product range, and increase competitiveness; and  
(3) Create Calligraphy Greenway life circle, and effectively integrate the characteristic resources of Calligraphy Greenway.

#### Long-Term Business Development Plans

Metal manufacturing: (1) Collaborate or create strategic alliances with renowned international manufacturers for offshore OEM, and work towards vertical and horizontal integration and globalization;  
(2) Collaborate with local and international professional institutions and schools, with dedication to research and development of new technology and materials to improve product depth increase value of product; and  
(3) To better attract and recruit professional talents for a long-term succession plan, CMP Group is proactively collaborating with local and international college institutions to cultivate middle level staff resources.

Retail Business: The characteristic and scale of the surrounding shopping environment of Calligraphy Greenway have gradually fallen into place. The plan is to promote a series of activities supported by the CMP PUJEN Foundation, joined by the Park lane by CMP and Park Lane by Splendor, to form a cultural and creativity shopping cluster.

## II. Market, Production and Sales Overview

### (I) Market Analysis

#### 1. External sales by geographical region:

Unit: NTD `000

| Year          | 2020       |           | 2019       |           |
|---------------|------------|-----------|------------|-----------|
| Region        | Amount     | Ratio (%) | Amount     | Ratio (%) |
| Taiwan        | 3,797,755  | 28.93     | 2,432,632  | 17.67     |
| U.S.A.        | 1,775,750  | 13.53     | 2,324,725  | 16.88     |
| Japan         | 1,080,979  | 8.23      | 1,602,769  | 11.64     |
| China         | 5,909,953  | 45.03     | 6,732,088  | 48.89     |
| Europe        | 245,549    | 1.87      | 279,413    | 2.03      |
| South America | 19,593     | 0.15      | 23,168     | 0.17      |
| Others        | 296,320    | 2.26      | 375,329    | 2.72      |
| Total         | 13,125,899 | 100.00    | 13,770,124 | 100.00    |

The consolidated company supplies metal manufacturing products for automotive parts, construction hardware, machinery and hand tools, electrical equipment, and transmission systems mainly to Greater China and North America, secondly to Europe and Japan. The remainder business sales and services are mainly provided in Taiwan.

#### 2. Market Share, Future Market Demands and Supplies and Growth Potential

##### (1) Metal Manufacturing

###### Demands

With the broad application of metal-related products, the prosperity of downstream performance has a direct impact on the growth of the market. As there are many downstream sectors, the crumbling of any single sector will not render a significant effect on the foundry business. Currently, advanced countries such as the European Union, America and Japan, all moved to Asia, especially to China, to source high-quality metal materials and parts at lower costs and looking for opportunities to enter the Chinese market since the models of Global Sourcing (“GS”) and Global Supply Chain Management (“GSCM”) have been mature. The shifting of procurement to the east has created advantages for large manufacturers such as better quality, pricing, financing, servicing and producing capability. The consolidated company is an inspiration to these manufacturers where the successful establishment in China has gained economies of scale with room for growth.

### Supplies

As the environmental friendly requirements become more stringent, the future trends for the metal manufacturing business, being a capital and labor-intensive industry, is the reduction and integration of manufacturers in the long run, while small to medium manufacturers soon face annihilation or be forced to specialize with larger casting items or artworks. The professional casting and processing plants tend to be large-scale precision production. Many of the renowned large conglomerates have closed their foundry division in order to develop their core competitive advantages and sought strategic cooperation with professional casting OEM service providers, so as to focus on their core competence. The consolidated company, as the leading professional automated foundry in Greater China, improves product value-adding through standardized casting OEM and precision processing, as well as progressively developing the global market through proactive vertical integration and strives to provide a one-stop and systematic service for the customers. In terms of the development trend of the worldwide metal manufacturing industry, there is still room of growth for CMP Group.

#### (2) Retail Business

The Park Lane by CMP, a regional shopping mall, is located at Calligraphy Greenway, Taichung, which is also the home of other shopping malls such as Shin Kong Mitsukoshi Department Store Taichung Branch, Far Eastern Department Top City, SOGO, and Tiger City. With more well-known catering groups at home and abroad entering Taichung City, such as Mitsui Outlet Park, the overall local market has already saturated and the competition is fierce. Therefore, how to create the distinctive characteristics to stand out from the others has become the key factor. Park Lane by CMP primarily targets the younger generation with creative designed products. Through gradual introduction of fashionable merchandises combined with green wall architecture and a cultural and creative atmosphere, Park Lane by CMP has successfully become a creative and a tourism landmark to cultivate existing customers, attract renowned brands to be business partners, and avoid overlap competition with other department stores. By creating uniqueness and differentiation, steady performance and growth can be expected.

### 3. Competitive Niche, Advantages and Adverse Factors for Development Prospects and Strategic Countermeasures

#### (1) Favorable Factors

- ① Large scale professional foundry processing plant with high level automation production  
Due to lack of labor resources, CMP Group utilizes new and fully automated DISA, KW high pressure/high-speed molding machines, machine arms and automated sanding

machines at the Hsinchu plant, CMS, CMW, and CMB with smart technology tools introduced. These efforts ensure stable quality of products, efficient product delivery, achieve effective reduction of labor costs, and help develop the capability of tracking and controlling products.

②Flexible production with small volume and large diversity

The CMP Group has always striven towards high quality, high value-add products. The difference in dimensions was minimal, qualified for national standards and certified by major customers. The flexible production capability with high efficiency in changing production line can better fulfill the market need of smaller volume and large diversity.

③Diversified product range and steady growth in demands

The consolidated company co-operates with various industries to develop products that are competitive for the five major industries, namely automotive, agricultural machinery, construction and public construction, mechanical and hand tools, electrical, and compressor. The broad downstream sectors are less likely to be affected by the economic distress of a single industry.

④Excellent environmental safety equipment

Over the years, the CMP Group has invested heavily in environmentally friendly machines and equipment to meet environmental protection requirements. The CMP group is more competitive compared to its smaller rivals who are currently facing annihilation due to stringent environmental protection requirements.

⑤Maintain a mutual growth collaboration relationship with various downstream sectors

Thanks to the superior product quality, on-time delivery, and good creditability of the consolidated company, 70% of clients have been business partners for more than 5 years, and most of them are leaders in their respective fields.

⑥Establish foundries in Mainland China to gain synergy from division of labor across the strait.

⑦Seize the opportunity, proactively invest in Mainland China and establish production and operating bases

Proactively establish various production and operating bases in Tianjin and Suzhou, in response to future business growth. The new CMI (Wu Han) Precision Machinery Co., Ltd. (CMH) plant officially started construction in October 2019. In the first phase of the new plant, two molding lines are to be constructed, and will assist in expanding the current production scale when it is put on production. The integrated cross-strait operations and division of labor of operations between China and Taiwan plants have maximized the CMP Group's profit contribution.



#### ⑧Globalization

With the trend of globalization and international division of labor, a strong and stable international capital, technology and marketing exchange network is formed through the strategic alliances with YANMAR, the Japanese renowned diesel engine manufacturer, and BIRN, the largest Nordic casting manufacturer, and also collaboration with professional incubation institution in Spain.

⑨Unique retail business building designs that are different from traditional department stores, with marketing combined with culture and creativity to provide a clear and vivid image. The retail business is located close to Calligraphy Greenway and Civic Square with rare greenery and location and is very different from the average shopping environment.

#### (2) Adverse Factors

①Increased salaries, reduced working hours, sub-replacement fertility and increased labor cost.

②International political and economic changes led to an increase in currency exchange risk.

③Pricing competition from emerging countries such as Mainland China, India, and Eastern Europe.

④Incomplete product range compared to large shopping malls that cater to all types of customers.

#### (3) Countermeasures

①Reinforce staff training and education to improve personnel quality, and introduce automation and intelligent equipment to uplift efficiency.

②Continually monitor market changing trend, decrease currency exchange risk, and improve adaptability to changes in the global economy through evaluating and implementing financial products and trading term negotiations with customers.

③Develop high value-add and diverse products, through introducing new technology, environmentally friendly equipment and material, cost control, and enlarging the market entrance barrier. Use the cost of difference as a countermeasure against low-price cutting.

④Refine the unique characteristics of the retail business and establish a brand image.

⑤Expand the collaboration with different types of business and differentiate operating model from other department stores. Cultivate loyal customers and improve interactions with the surrounding communities to create mutual benefits.

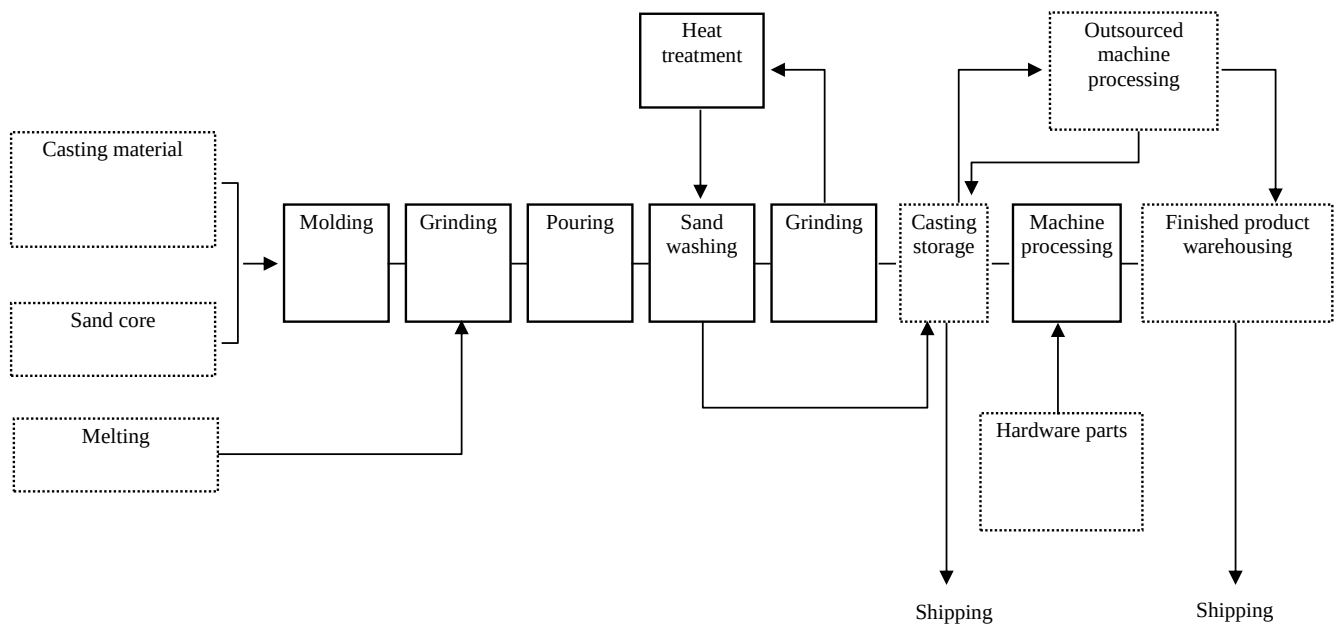
## (II) Major Uses and Production Process of the Primary Products

### 1. Key applications of the primary products

| Major products               | Main Usage                                                      |
|------------------------------|-----------------------------------------------------------------|
| Metal manufacturing products | Automotive, agricultural equipment, compressor components, etc. |

### 2. Production Process of the Primary Products

Metal manufacturing products:



## (III) Status of Supply on Primary Materials

### Reclaimed Steel and Pig Iron

The primary raw materials are reclaimed steel and pig iron acquired through different purchases dependent on the market situation. Orders were placed with various countries such as Mainland China, Taiwan, Brazil, South Africa, and Japan, etc. and sales agreements are signed with the main suppliers. The consolidated company also approaches other sources of supply from time to time and maintained good relationships with raw material suppliers to ensure steady and quality supplies.

(IV) List of Major Customers and Suppliers in the Most Recent Two Years

1. Suppliers whose Supplied Materials have Accounted for More than 10% of Annual Net Purchase during any of the Most Recent Two Years

Unit: NTD `000

| Item | 2019                                         |           |                                       |                               | 2020                                         |           |                                       |                               |
|------|----------------------------------------------|-----------|---------------------------------------|-------------------------------|----------------------------------------------|-----------|---------------------------------------|-------------------------------|
|      | Name                                         | Amount    | Percentage to Annual Net Purchase (%) | Relationships with the issuer | Name                                         | Amount    | Percentage to Annual Net Purchase (%) | Relationships with the issuer |
| 1    | Metal Manufacturing Segment - Supplier A     | 499,480   | 11.10                                 | None                          | Metal Manufacturing Segment - Supplier A     | 364,925   | 7.86                                  | None                          |
| 2    | Real Estate Development Segment - Supplier A | 314,557   | 6.99                                  | None                          | Real Estate Development Segment - Supplier A | 759,976   | 16.37                                 | None                          |
|      | Others                                       | 3,684,496 | 81.91                                 |                               | Others                                       | 3,516,718 | 75.77                                 |                               |
|      | Net Purchase                                 | 4,498,533 | 100.00                                |                               | Net Purchase                                 | 4,641,619 | 100.00                                |                               |

Reasons for changes: Mainly due to the Taichung Development Project of the Group that the purchase of Manufacturer A in the Real Estate Development Segment in 2020 increased compared with that in 2019, and no material changes have occurred to the ratio of purchases from major vendors or ratio of purchases.

2. Customers whose Order Volumes have Accounted for More Than 10% of Annual Net Sales during any of the Two Most Recent Years

Unit: NTD '000

|      | 2019                                     |            |                                    |                               | 2020                                     |            |                                    |                               |
|------|------------------------------------------|------------|------------------------------------|-------------------------------|------------------------------------------|------------|------------------------------------|-------------------------------|
| Item | Name                                     | Amount     | Percentage to Annual Net Sales (%) | Relationships with the issuer | Name                                     | Amount     | Percentage to Annual Net Sales (%) | Relationships with the issuer |
| 1    | Metal Manufacturing Segment - Customer A | 1,892,597  | 13.74                              | None                          | Metal Manufacturing Segment - Customer A | 1,739,806  | 13.25                              | None                          |
|      | Others                                   | 11,877,527 | 86.26                              |                               | Others                                   | 11,386,093 | 86.75                              |                               |
|      | Net Sales                                | 13,770,124 | 100.00                             |                               | Net Sales                                | 13,125,899 | 100.00                             |                               |

Reasons for changes: There are no significance difference for primary customers and sales proportion for the past two years.

## (V) Table of Production for the Two Most Recent Years

Unit: NTD `000

| Year<br>Production Volume<br>Divisions   | 2019                |                   |       |                  | 2020                |                   |       |                  |
|------------------------------------------|---------------------|-------------------|-------|------------------|---------------------|-------------------|-------|------------------|
|                                          | Production Capacity | Production Volume | Units | Production Value | Production Capacity | Production Volume | Units | Production Value |
| Metal Manufacturing Segment              | 275,960             | 189,566           | Ton   | 10,118,092       | 275,960             | 151,166           | Ton   | 7,858,585        |
|                                          | 4,600,000           | 3,005,345         | PCS   | 737,818          | 3,250,000           | 2,260,349         | PCS   | 451,006          |
| Real Estate Development Segment (Note 1) | -                   | -                 | -     | -                | -                   | -                 | -     | -                |
| Lifestyle Hospitality Segment (Note 1)   | -                   | -                 | -     | -                | -                   | -                 | -     | -                |
| Total                                    | 275,960             | 189,566           | Ton   | 10,855,910       | 275,960             | 151,166           | Ton   | 8,309,591        |
|                                          | 4,600,000           | 3,005,345         | PCS   |                  | 3,250,000           | 2,260,349         | PCS   |                  |

Note 1: Since Real Estate Development Segment and Lifestyle Hospitality Segment are not manufacturing divisions, no data is available for production.

## (VI) Table of Sales for the Two Most Recent Years

Unit: NTD `000

| Year<br>Sales<br>Divisions             | 2019           |              |           |               |              |            | 2020           |              |           |               |              |           |
|----------------------------------------|----------------|--------------|-----------|---------------|--------------|------------|----------------|--------------|-----------|---------------|--------------|-----------|
|                                        | Domestic Sales |              |           | Foreign Sales |              |            | Domestic Sales |              |           | Foreign Sales |              |           |
|                                        | Volume         | Units        | Value     | Volume        | Units        | Value      | Volume         | Units        | Value     | Volume        | Units        | Value     |
| Metal Manufacturing Segment            | 8,097          | Ton          | 390,909   | 165,704       | Ton          | 9,720,436  | 11,933         | Ton          | 519,337   | 147,604       | Ton          | 8,124,260 |
|                                        | 60             | thousand PCS | 31,478    | 10,249        | thousand PCS | 1,617,056  | 85             | thousand PCS | 35,048    | 8,987         | thousand PCS | 1,203,884 |
| Real Estate Development Segment (Note) | -              | -            | 1,281,836 | -             | -            | -          | -              | -            | 2,619,560 | -             | -            | -         |
| Lifestyle Hospitality Segment (Note)   | -              | -            | 728,409   | -             | -            | -          | -              | -            | 623,810   | -             | -            | -         |
| Total                                  | 8,097          | Ton          | 2,432,632 | 165,704       | Ton          | 11,337,492 | 11,933         | Ton          | 3,797,755 | 147,604       | Ton          | 9,328,144 |
|                                        | 60             | thousand PCS |           | 10,249        | thousand PCS |            | 85             | thousand PCS |           | 8,987         | thousand PCS |           |

Note: Due to the nature of the industry, no data on sales is available for Lifestyle Hospitality Segment, which includes store retail business, international tourism hotel business, and tourism business, and Real Estate Development Segment.

### III. Staff Statistics

Number of Employees for the Two Most Recent Fiscal Years, and During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels

| Year                        |                          | 2019  | 2020  | March 31, 2021 |
|-----------------------------|--------------------------|-------|-------|----------------|
| Number of Employees         | Direct Employee (Note)   | 1,097 | 1,011 | 1,003          |
|                             | Indirect Employee (Note) | 1,362 | 1,250 | 1,259          |
|                             | Total                    | 2,459 | 2,261 | 2,262          |
| Average Age                 |                          | 41    | 43    | 43             |
| Average Year of Services    |                          | 6.8   | 6.8   | 6.9            |
| Academic Distribution Ratio | PhD                      | 0%    | 0%    | 0%             |
|                             | Master's                 | 8%    | 9%    | 9%             |
|                             | Bachelor's               | 63%   | 61%   | 60%            |
|                             | High school              | 17%   | 19%   | 21%            |
|                             | Below Senior High School | 12%   | 11%   | 10%            |

Note: Direct employee refers to personnel working at the production lines; indirect employee refers to other personnel not working at the production lines.

### IV. Environmental Protection

The Consolidated Company has always emphasized on environmental protection and firmly believes that only a healthy working environment will realize proper environmental protection ideology and achieve business sustainability. In the most recent year and as of the date of publication of the annual report of the Consolidated Company, there were no major environmental pollution penalties or compensation for major disputes. At the same time, the Consolidated Company is expected to continue to spend various environmental treatment costs, environmental equipment improvements and environmental protection facilities in the coming year due to the complete environmental protection facilities and maintenance update.

## V. Employment Relations Management

- (I) CMP's Employee welfare and benefit measures such as the implementation of continuing education, training, retirement plans, dispute resolutions, employee rights, and maintenance of welfare measures are described below:

### 1. Employee Benefits

|                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Insurance                                         | To ensure adequate coverage of employees, apart from the labor insurance and national health insurance required by the Labor Insurance Act and National Health Insurance Act, CMP also provides group insurance coverage for all employees free of charge, including: 1.Life insurance; 2.Personal accident insurance; 3. Medical injury insurance; 4.Hospitalization insurance; 5.Cancer insurance; 6.Major illness insurance; 7.Occupational injury insurance The spouse and next of kin may join the above insurance policies at their own cost. Furthermore, employees on overseas business trips will also, in addition to the above group insurance, be covered under the overseas business travel emergency medical insurance. |
| Health Management                                 | To achieve the efficiency of "prevention is better than cure" by autonomous health management and as part of CMP's employee benefit, any employee who has been with CMP for one full year is eligible for a free health check every year at medical institutions recognized by the Occupational Safety and Health Administration, Ministry of Labor (OSHA). Physicians and nursing staff will be available on-site to conduct health checks at CMP-Hsinchu for the convenience and comfort of the Metal Manufacturing Division employees. Also, special tests such as ear canal physical examination and Hearing test are performed due to the nature of the industry.                                                                |
| Miscellaneous Subsidies (Gifts)                   | The CMP Employee Welfare Committee (EWC) provides subsidies and gifts for three major holiday celebrations, birthdays, marriages, hospitalization, funeral, travels, employees training scholarships, and scholarships for employee's children...etc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Various Allowances Incentives, and Festival Gifts | 1. Marriage Subsidy: apart from the wedding cash gift from the Employee Welfare Committee, CMP also implemented "Happy Family" project to encourage employees to starting their own families by increasing child-bearing willingness, through the reduction of childcare expenses, and while improving the quality of living as part of CMP's corporate social responsibility.                                                                                                                                                                                                                                                                                                                                                        |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>2. Childcare Subsidy: CMP's project "Easy Raising" provides a monthly allowance for employee's children under the age of six, to increase employee child-bearing willingness and reduce the burden of childcare expenses.</p> <p>3. Education subsidy for strategic development: Education subsidy is given out to employees for the purposes of improving organizational competitiveness, encouraging employees to continue studying, improving their competence, having their further study in match of the organizational goals, and thereby cultivating career development for talents and improving the extent of contribution to their organizations.</p> <p>4. Language Proficiency Examination Subsidy and Scholarship: to encourage employees to continue self-learning, enhance English and Japanese language proficiency to improve productivity and improve their contribution to CMP, a special language proficiency examination subsidy and scholarship is awarded to those who have passed the official TOEIC® (both verbal and written tests) and the Japanese language proficiency test (JLPT).</p> <p>5. Work-life Balance Incentives: to encourage employees work-life balance by formulate proper work plan, schedule vacations, implement functional delegation system and health management, incentives are awarded to employees who have applied for more than 4 consecutive days of special leave before or after the long holidays, or special leaves for more than 5 consecutive days.</p> <p>6. External Resources Grant Bonuses: to encourage employees to apply for external resources to elevate competitiveness, CMP stipulated the Regulations Governing the Incentives for External Resources Application and provided separate awards accordingly.</p> <p>7. Dragon Boat and Mid-Autumn Festival Gifts: as a thanks for employees' contribution and to improve employee benefits, Dragon Boat and Mid-Autumn Festival gifts are awarded in addition to the gift vouchers and presents provided by the EWC.</p> <p>8. Marriages and Funerals: to improve employees' benefits, employees and their spouse may request gifts for marriages and consolation gifts for funerals.</p> |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Profit Sharing         | <ol style="list-style-type: none"> <li>1. Employee Remuneration: pursuant to the Company Act, CMP's Article of Incorporation stipulates that if the Company generates profits of the year, it shall allocate 2.5% or more of profits as employee bonus which shall be appropriated by different purpose such as performance bonus, Dragon Boat Festival and Mid-Autumn Festival bonus, and Project bonus.</li> <li>2. Budget achievement bonus: CMP rewards its employees fairly and reasonably and appropriately rewards employees' hard work by stipulating the Regulations Governing the Performance Rewards for each business office. If the business office reaches the performance target in the current quarter, the Company will issue the performance bonus the following month.</li> <li>3. Year-end performance bonus: to reward employee for their hard work throughout the year, encourage target achievement and motivate staff morale, CMP stipulates the Regulations Governing the Year-end Performance Bonus and distributes the bonus before the end of the year.</li> </ol> |
| LOHAS Work Environment | <p>CMP supplies welfare activities such as movie screenings, unlimited coffee, monthly birthday parties, year-end party and lucky draws, and sports day, Family Day Hiking and Pet Day etc., and nursing rooms are established at every operating site. In addition, the Hsinchu Plant is equipped with staff canteen and dormitories. Furthermore, regular books, magazines and newspaper subscriptions are available for employees. The CMP Employee Welfare Committee also coordinates group events and outings from time to time.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

## 2. Education and Training

- (1) Human resources are the foundation of CMP, and only through continuous learning may help the employees to adapt to the rapid changes of industrial technology, strategy development and assist in their competence and career developments. Staff education and training play an important role in terms of human resource management. CMP Academy is a well-rounded training facility developed internally and provides internal training, external training, part-time degree pursuance, intranet knowledge sharing platform, internal lecturer cultivation, digital teaching material implementation, and scholarships, etc. CMP also cooperates with the Manpower Improvement Subsidy Program offered by the government to build a holistic learning environment for corporate sustainability and mutual benefits to all parties.

- (2) The Consolidated Company has incurred a total of NTD 6,532 thousand in 2020 for staff education and training, with a total of 165,968 hours.

Detailed explanations are as follows:

- (A) School for New Joiners: the HR & Administration Department provides ad-hoc on-the-job training for new joiners irregularly such as company profile, corporate mission and visions, corporate culture and core values, broader introduction of the industrial environment, and safety training...etc.
- (B) School for General Knowledge: internal trainings to strengthen common competence of employees such as problem analysis, communication skills, project management, workplace safety and health knowledge, corporate culture and business philosophy...etc.
- (C) School for Professional Skills: employees may participate in internal or external trainings based on individual core competency and job requirements to enhance their professional skills, accumulate key knowledge, introduce innovative ideas, and improve management efficiency.
- (D) School for Management: managers participate in CMP's internal management training or seek external management courses such as strategic performance management, leadership, strategic planning, and organizational development...etc.
- (E) CMPedia: digital learning platform to facilitate education and training related material for the purpose of real-time learning.
- (F) Journey & Beyond trips: domestic and international business visits arranged by the Company.
- (G) Knowledge Sharing for Mutual Benefits sessions: each unit supervisor, human resources unit or trained employees establish a team learning culture through internal sharing meeting to spread learning effectiveness and implement the inheritance spirit.

### 3. Implementation Status of the Pension System

#### **Implementation Status of the Pension System of the Parent Company:**

Pursuant to the Labor Standard Act and Labor Pension Act, CMP formulates the Regulations Governing the Employee Retirement and a Supervisory Committee of Labor Retirement Reserve accordingly.

#### **(I) Reserve Ratio**

Pursuant to the Labor Standard Act, CMP appropriates labor pension reserves to the designated labor pension fund account at the Bank of Taiwan on a monthly basis. The pension payable to employees qualified under the Labor Standard Act is calculated on the bases of servicing years and the average salary or wage earned during 6 months prior to retirement. In addition, CMP also contributes 6% of pension to individual accounts of labor pension at the Bureau of Labor Insurance

in accordance with the Labor Pension Act. Furthermore, CMP engages actuaries to report on labor pensions regularly to ensure adequacy of contribution and to govern the retiring rights of the employees in the future.

(II) Retiring Criterion:

Apart from the voluntary retirement stipulated under Article 53 of the Labor Standards Act as well as forced retirements, CMP establishes an early retirement program for any qualified employees who have been working for 15 years or more, and above the age of fifty.

(III) Retirement Reserve

- (1) CMP's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to NTD 61,770 thousand as of December 31, 2020.
- (2) CMP adopts the defined contribution plan in accordance with the Labor Pension Act and allocates 6% of the employees' monthly salary to the individual account of labor pension at the Bureau of Labor Insurance. CMP'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.
- (3) The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2020 and 2019 amounted to NTD 7,250 thousand and NTD 7,195 thousand, respectively.

(IV) As of December 31, 2020 and 2019, CMP's employee benefits retirement expenses amounted to NTD 207 thousand and NTD 228 thousand, respectively.

**The Consolidated Company's Implementation of Retirement System:**

(I) Defined benefit plans

The defined benefit plan of the Consolidated Company is contributed to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The pension payable to employees qualified under the Labor Standard Act is calculated on the bases allocated to servicing years and the average salary or wage earned during 6 months prior to retirement.

CMP Group's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to NTD 95,942 thousand as of December 31, 2020.

Based on the actuarial report, CMP Group is expected to make a contribution payment of NTD 16,157 thousand to the defined benefit plans for the one year period after the reporting date of 2020.

## (II) Defined contribution plans

CMP Group contributes an amount at the rate of the employees' monthly wages to the Labor Pension personal account with the Bureau of Labor Insurance and Council of Labor Affairs in R.O.C. and relative social insurance institutions in accordance with the provisions of the Labor Pension Act and pension regulations in other business area. CMP Group's contributions to the Bureau of Labor Insurance for the employees' pension benefits, as well as to the labor and social security bureau, 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, 2020 and 2019 amounted to NTD 33,441 thousand and NTD 83,944 thousand, respectively.

As of December 31, 2020 and 2019, CMP Group's employee benefits retirement expenses amounted to NTD 207 thousand and NTD 228 thousand, respectively.

### 4. Employee-employer Agreements and Measures Taken to Safeguard Employee Interests

(1) CMP values employee welfare and two-way communication between employee and employer. All internal regulations are stipulated in accordance with or superior to the current governing law and regulations. CMP convenes regular Labor/Management Conferences for representatives from each segment and discuss internal regulations. In addition, a sexual harassment whistle blower mail box and hotline is also implemented at all operating sites to protect employee welfare. With regards to occupational safety, a section within the Work Rules clearly stated the health and safety operation protocols, and the Industrial Safety and Health Management Protocol are established to ensure that all employees shall calmly respond and report to the related authority upon emergencies. Also, with the "CNS 45001:2018" and "ISO 45001:2018" Occupational Safety Management Certification, regular seminars and promotion of the environmental safety and health regulations are held regularly to persistently request the employees to abide. Staff morale and coherence is improved where employees are encouraged to participate in all education and training, annual health check, free group insurance coverage, and ad-hoc events or outings are organized by the CMP Employee Welfare Committee.

(2) The Company attaches great importance to all employees or relevant personnel assigned by the companies and manufacturers with partnerships or business dealings to perform various operations of the Company. If it is necessary to collect, process or use personal data associated with the Company, its customers, or projects subject to business needs, the Company shall formulate personal data protection management

measures and set up a personal data protection committee to regularly conduct personal data inventory, personal knowledge advocacy, education and trainings.

5. Employee Codes of Ethical Conduct

(1) New employees must sign the New Employee Declaration stating the following:

- A. No disputes with any units or companies in regard to intellectual properties;
- B. No criminal records on defalcation or accepting bribery;
- C. No records of service termination by other companies, public or private, due to misconducts or ill intentions;
- D. Not under interdictions that are not yet revoked.

(2) Managers shall abide to the Codes of Ethical Conduct stipulated below:

- A. Prevent from any conflicts of interest;
- B. Prevent inappropriate profits derived from their positions;
- C. Be responsible for confidentiality;
- D. Treat customers, suppliers, rivals and staff with fairness;
- E. Safeguard and proper use of company properties;
- F. Compliance with laws and regulations.

(3) CMP has established the Work Rules in accordance with the Labor Standards Act and other applicable law and regulations, which clearly states the rights and obligations of both the employers and employees in a complete and modernized management system aiming to improve the collaboration of both parties and business development. Internal regulations regarding the employment, termination, remuneration, subsidies, incentives, working hours, off hours, vacations, leaves, retirement, female workers, attendance, assessments, rewards and punishments, promotions, work-related injury subsidies and pension, welfare benefits, and health and safety have been clearly stipulated and filed at the competent authority for future reference.

(II) Total losses arising from employment relations disputes for the most recent fiscal year up to the publication date of the Annual Report: None.

CMP values employee benefits and bi-lateral communications with employees, and has thereby built a positive employment relationship. However, CMP will continue to communicate and mediate between both sides of the employment relations and to provide fair benefits to encourage for even better relationship. Therefore, the likelihood for expected losses arising from employment relations disputes in the future is very low.

## VI. Material Contracts

| Type of Contract         | Contracting Party                                                                   | Contract Start/End Date                 | Contract Content                                                                              | Restrictions                                 |
|--------------------------|-------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------|
| Lease Contract           | Taichung Houlongzi Church and Liuyuan Church from the Presbyterian Church in Taiwan | October 1, 2016 to September 30, 2056   | Lease for land in Houlongzi Section, West District, Taichung                                  | In accordance with the agreement             |
| Lease Contract           | Nan Shan Life Insurance Company, Ltd.                                               | October 15, 2013 to October 15, 2028    | Real property lease for the building for Park Lane by CMP                                     | In accordance with the agreement             |
| Management Contract      | Eslite Spectrum Corporation                                                         | January 1, 2020 to October 14, 2028     | Entrusted shopping mall operations and management                                             | None                                         |
| Management Contract      | National Management Co., Ltd.                                                       | January 1, 2020 to October 14, 2028     | Entrusted shopping mall operations and management                                             | None                                         |
| Construction Contract    | Continental Engineering Corporation                                                 | March 1, 2019 to July 16, 2023          | Construction and engineering contract for hotel at Houlongzi Section, West District, Taichung | In accordance with the agreement             |
| Syndicated Loan Contract | Syndicated financial institutions organized by Bank SinoPac                         | Five years from the first drawdown date | Five-year syndicated loan contract for NTD 3.15 billion                                       | Subject to terms of syndicated loan contract |
| Syndicated Loan Contract | Syndicated financial institutions organized by CTBC Bank                            | Five years from the first drawdown date | Five-year syndicated loan contract for NTD 4.62 billion.                                      | Subject to terms of syndicated loan contract |

## Chapter 6 Financial Highlights

### I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

#### (I) Condensed Balance Sheets - Parent Company Only Financial Statements

Unit: NTD `000

| Item \ Year                    |                     | Most Recent 5-Year Financial Information |            |            |            |            |
|--------------------------------|---------------------|------------------------------------------|------------|------------|------------|------------|
|                                |                     | 2016                                     | 2017       | 2018       | 2019       | 2020       |
| Current Assets                 |                     | 1,163,937                                | 1,976,030  | 1,782,734  | 1,365,391  | 1,243,640  |
| Property, Plant, and Equipment |                     | 1,011,146                                | 805,677    | 814,517    | 786,070    | 740,803    |
| Intangible Assets              |                     | 10,834                                   | 11,353     | 12,843     | 13,258     | 9,058      |
| Other Assets                   |                     | 14,073,071                               | 14,252,379 | 15,549,383 | 19,541,922 | 20,204,511 |
| Total Assets                   |                     | 16,258,988                               | 17,045,439 | 18,159,477 | 21,706,641 | 22,198,012 |
| Current Liabilities            | Before Distribution | 1,126,924                                | 1,086,597  | 1,275,502  | 1,193,362  | 1,544,984  |
|                                | After Distribution  | 1,781,852                                | 1,664,475  | 2,315,683  | 1,540,089  | 1,932,390  |
| Non-current Liabilities        |                     | 3,140,095                                | 4,312,802  | 4,140,078  | 8,624,082  | 8,626,634  |
| Total Liabilities              | Before Distribution | 4,267,019                                | 5,399,399  | 5,415,580  | 9,817,444  | 10,171,618 |
|                                | After Distribution  | 4,921,947                                | 5,977,277  | 6,455,761  | 10,164,171 | 10,559,024 |
| Share Capital                  |                     | 3,852,521                                | 3,852,521  | 3,852,521  | 3,852,521  | 3,761,221  |
| Capital Surplus                |                     | 1,554,932                                | 1,522,961  | 1,525,666  | 1,523,104  | 1,487,802  |
| Retained Earnings              | Before Distribution | 6,313,843                                | 5,878,089  | 7,159,640  | 6,569,681  | 6,651,340  |
|                                | After Distribution  | 5,658,915                                | 5,300,211  | 6,119,459  | 6,222,954  | 6,263,934  |
| Other Equity Interest          |                     | 270,673                                  | 392,469    | 206,070    | (56,109)   | 126,031    |
| Total Equity                   | Before Distribution | 11,991,969                               | 11,646,040 | 12,743,897 | 11,889,197 | 12,026,394 |
|                                | After Distribution  | 11,337,041                               | 11,068,162 | 11,703,716 | 11,542,470 | 11,638,988 |

Note 1: The distribution of earnings as of the date of report publication is yet to be resolved at the Annual General Meeting.

## (II) Condensed Balance Sheets - Consolidated Financial Statements

Unit: NTD `000

| Item \ Year                             |                     | Most Recent 5-Year Financial Information |            |            |            |            |
|-----------------------------------------|---------------------|------------------------------------------|------------|------------|------------|------------|
|                                         |                     | 2016                                     | 2017       | 2018       | 2019       | 2020       |
| Current Assets                          |                     | 21,082,741                               | 25,501,681 | 23,931,245 | 27,165,528 | 28,659,348 |
| Property, Plant, and Equipment          |                     | 10,462,013                               | 10,051,747 | 10,280,411 | 9,589,959  | 10,164,563 |
| Intangible Assets                       |                     | 548,571                                  | 478,336    | 451,287    | 415,890    | 400,762    |
| Other Assets                            |                     | 3,062,730                                | 3,287,863  | 3,345,214  | 5,756,325  | 5,562,647  |
| Total Assets                            |                     | 35,156,055                               | 39,319,627 | 38,008,157 | 42,927,702 | 44,787,320 |
| Current Liabilities                     | Before Distribution | 9,653,084                                | 14,523,445 | 12,052,383 | 16,030,502 | 15,054,778 |
|                                         | After Distribution  | 10,308,012                               | 15,101,323 | 13,092,564 | 16,377,229 | 15,442,184 |
| Non-current Liabilities                 |                     | 7,248,960                                | 9,226,734  | 9,012,609  | 11,155,109 | 13,730,470 |
| Total Liabilities                       | Before Distribution | 16,902,044                               | 23,750,179 | 21,064,992 | 27,185,611 | 28,785,248 |
|                                         | After Distribution  | 17,556,972                               | 24,328,057 | 22,105,173 | 27,532,338 | 29,172,654 |
| Equity Attributable to Owners of Parent |                     | 11,991,969                               | 11,646,040 | 12,743,897 | 11,889,197 | 12,026,394 |
| Share Capital                           |                     | 3,852,521                                | 3,852,521  | 3,852,521  | 3,852,521  | 3,761,221  |
| Capital Surplus                         |                     | 1,554,932                                | 1,522,961  | 1,525,666  | 1,523,104  | 1,487,802  |
| Retained Earnings                       | Before Distribution | 6,313,843                                | 5,878,089  | 7,159,640  | 6,569,681  | 6,651,340  |
|                                         | After Distribution  | 5,658,915                                | 5,300,211  | 6,119,459  | 6,222,954  | 6,263,934  |
| Other Equity Interest                   |                     | 270,673                                  | 392,469    | 206,070    | (56,109)   | 126,031    |
| Non-controlling Interest                |                     | 6,262,042                                | 3,923,408  | 4,199,268  | 3,852,894  | 3,975,678  |
| Total Equity                            | Before Distribution | 18,254,011                               | 15,569,448 | 16,943,165 | 15,742,091 | 16,002,072 |
|                                         | After Distribution  | 17,599,083                               | 14,991,570 | 15,902,984 | 15,395,364 | 15,614,666 |

Note 1: The distribution of earnings as of the date of report publication is yet to be resolved at the Annual General Meeting.



## (III) Condensed Statements of Comprehensive Income - Parent Company Only Financial Statements

Unit: NTD `000

| Item \ Year                                             | Most Recent 5-Year Financial Information |           |           |           |           |
|---------------------------------------------------------|------------------------------------------|-----------|-----------|-----------|-----------|
|                                                         | 2016<br>(Restated)<br>(Note 1)           | 2017      | 2018      | 2019      | 2020      |
| Operating Revenues                                      | 1,108,309                                | 1,195,862 | 1,383,562 | 1,191,690 | 1,214,052 |
| Gross Profit                                            | 515,659                                  | 472,065   | 531,325   | 524,271   | 499,375   |
| Net Operating Loss                                      | (43,073)                                 | (102,334) | (122,639) | (53,345)  | (63,704)  |
| Non-operating Income and Expenses                       | 1,103,751                                | 823,173   | 1,660,996 | 625,024   | 625,330   |
| Net Income from Continuing Operations before Tax        | 1,060,678                                | 720,839   | 1,538,357 | 571,679   | 561,626   |
| Net Income from Continuing Operations                   | 1,012,711                                | 706,052   | 1,474,602 | 508,727   | 557,458   |
| Gain (Loss) from Discontinued Operations                | (11,743)                                 | (96,626)  | 360,970   | 0         | 0         |
| Net Income                                              | 1,000,968                                | 609,426   | 1,835,572 | 508,727   | 557,458   |
| Other Comprehensive Income (Loss)<br>(Income after Tax) | (508,086)                                | 113,433   | (257,092) | (259,993) | 184,825   |
| Total Comprehensive Income (Loss)                       | 492,882                                  | 722,859   | 1,578,480 | 248,734   | 742,283   |
| Earnings Per Share (NTD)                                | 2.60                                     | 1.58      | 4.76      | 1.32      | 1.47      |

Note 1: The Steel Product Segment was discontinued in 2017. However, as the segment was continuing operations in 2016, the Statement of Comprehensive Income for 2016 was restated accordingly.

## (IV) Condensed Statements of Comprehensive Income - Consolidated Financial Statements

Unit: NTD `000

| Item \ Year                                                          | Most Recent 5-Year Financial Information |            |            |            |            |
|----------------------------------------------------------------------|------------------------------------------|------------|------------|------------|------------|
|                                                                      | 2016<br>(Restated)<br>(Note 1)           | 2017       | 2018       | 2019       | 2020       |
| Operating Revenues                                                   | 14,078,825                               | 14,517,909 | 18,085,535 | 13,770,124 | 13,125,899 |
| Gross Profit                                                         | 4,129,119                                | 3,823,870  | 5,018,218  | 3,244,104  | 3,298,792  |
| Net Operating Income                                                 | 2,025,936                                | 1,523,829  | 2,459,887  | 1,034,519  | 1,297,615  |
| Non-operating Income and Expenses                                    | 91,644                                   | (107,558)  | (52,892)   | (146,485)  | (330,051)  |
| Net Income from Continuing Operations before Tax                     | 2,117,580                                | 1,416,271  | 2,406,995  | 888,034    | 967,564    |
| Net Income from Continuing Operations                                | 1,713,334                                | 1,123,504  | 2,020,571  | 661,684    | 791,441    |
| Gain (Loss) from Discontinued Operations                             | (11,743)                                 | (96,626)   | 360,970    | 0          | 0          |
| Net Income                                                           | 1,701,591                                | 1,026,878  | 2,381,541  | 661,684    | 791,441    |
| Other Comprehensive Income (Loss) (Income after Tax)                 | (892,510)                                | (57,960)   | (298,986)  | (323,173)  | 210,517    |
| Total Comprehensive Income (Loss)                                    | 809,081                                  | 968,918    | 2,082,555  | 338,511    | 1,001,958  |
| Net Income Attributable to Owners of Parent                          | 1,000,968                                | 609,426    | 1,835,572  | 508,727    | 557,458    |
| Net Income Attributable to Non-controlling Interests                 | 700,623                                  | 417,452    | 545,969    | 152,957    | 233,983    |
| Total Comprehensive Income Attributable to Owners of Parent          | 492,882                                  | 722,859    | 1,578,480  | 248,734    | 742,283    |
| Total Comprehensive Income Attributable to Non-controlling Interests | 316,199                                  | 246,059    | 504,075    | 89,777     | 259,675    |
| Earnings Per Share (NTD)                                             | 2.60                                     | 1.58       | 4.76       | 1.32       | 1.47       |

Note 1: The Steel Product Segment was discontinued in 2017. However, as the segment was continuing operations in 2016, the Statement of Comprehensive Income for 2016 was restated accordingly.

(V) Name of CPAs and Audit Opinions for the Last Five Years

| Year | CPA Firm    | Name of CPAs                        | Audit Opinion       |
|------|-------------|-------------------------------------|---------------------|
| 2016 | KPMG Taiwan | CHIEN, Ti Nuan,<br>TSENG, Kuo Yang  | Unqualified opinion |
| 2017 | KPMG Taiwan | CHIEN, Ti Nuan,<br>CHIH, Shih Chin  | Unqualified opinion |
| 2018 | KPMG Taiwan | CHIEN, Ti Nuan,<br>CHIH, Shih Chin  | Unqualified opinion |
| 2019 | KPMG Taiwan | TSENG, Kuo Yang,<br>CHIH, Shih Chin | Unqualified opinion |
| 2020 | KPMG Taiwan | TSENG, Kuo Yang,<br>CHIH, Shih Chin | Unqualified opinion |

## II. Most Recent 5-Year Financial Analysis

### (I) Financial Analysis - Parent Company Only

| <div> <div>Year</div> <div>Item</div> </div> |                                                       | Most Recent 5-Year Financial Analysis |          |          |          |          |
|----------------------------------------------|-------------------------------------------------------|---------------------------------------|----------|----------|----------|----------|
|                                              |                                                       | 2016<br>(Restated)<br>(Note 2)        | 2017     | 2018     | 2019     | 2020     |
| Capital Structure Analysis (%)               | Debts Ratio                                           | 26.24                                 | 31.68    | 29.82    | 45.23    | 45.82    |
|                                              | Long-term Fund to Property, Plant and Equipment Ratio | 1,496.53                              | 1,980.80 | 2,072.88 | 2,609.60 | 2,787.92 |
| Liquidity Analysis (%)                       | Current Ratio                                         | 103.28                                | 181.85   | 139.77   | 114.42   | 80.50    |
|                                              | Quick Ratio                                           | 88.17                                 | 171.77   | 129.60   | 95.88    | 72.39    |
|                                              | Times Interest Earned                                 | 3,154.42                              | 1,832.36 | 3,393.76 | 838.62   | 615.38   |
| Operating Performance Analysis               | Average Collection Turnover (Times)                   | 2.67                                  | 2.88     | 3.69     | 4.35     | 4.89     |
|                                              | Days Sales Outstanding                                | 136                                   | 126      | 98       | 83       | 74       |
|                                              | Average Inventory Turnover (Times)                    | 3.16                                  | 5.97     | 8.64     | 4.58     | 5.19     |
|                                              | Average Payment Turnover (Times)                      | 1.89                                  | 2.19     | 2.77     | 2.59     | 2.78     |
|                                              | Average Inventory Turnover Days                       | 115                                   | 61       | 42       | 79       | 70       |
|                                              | Property, Plant and Equipment Turnover (Times)        | 1.10                                  | 1.48     | 1.70     | 1.52     | 1.64     |
|                                              | Total Assets Turnover (Times)                         | 0.07                                  | 0.07     | 0.08     | 0.05     | 0.05     |
| Profitability Analysis                       | Return on Total Assets (%)                            | 6.45                                  | 3.87     | 10.64    | 2.88     | 2.93     |
|                                              | Return on Equity (%)                                  | 8.24                                  | 5.16     | 15.05    | 4.13     | 4.66     |

| Item      | Year                                        | Most Recent 5-Year Financial Analysis |          |          |          |       |
|-----------|---------------------------------------------|---------------------------------------|----------|----------|----------|-------|
|           |                                             | 2016<br>(Restated)<br>(Note 2)        | 2017     | 2018     | 2019     | 2020  |
|           | Pre-tax Income to Paid-in Capital Ratio (%) | 27.53                                 | 18.71    | 39.93    | 14.84    | 14.93 |
|           | Net Profit Ratio (%)                        | 90.31                                 | 50.96    | 132.67   | 42.69    | 45.92 |
|           | Earnings Per Share (NTD) (Note 3)           | 2.60                                  | 1.58     | 4.76     | 1.32     | 1.47  |
| Cash Flow | Cash Flow Ratio (%)                         | 64.51                                 | 26.78    | 27.60    | 74.93    | 34.61 |
|           | Cash Flow Adequacy Ratio (%)                | 81.72                                 | 68.20    | 69.77    | 66.92    | 69.85 |
|           | Cash Flow Reinvestment Ratio (%)            | (Note 1)                              | (Note 1) | (Note 1) | (Note 1) | 1.13  |
| Leverage  | Operating Leverage                          | -12.26                                | -5.07    | -4.53    | -10.59   | -8.68 |
|           | Financial Leverage                          | 0.56                                  | 0.71     | 0.72     | 0.40     | 0.37  |

The changes in financial ratios in the most recent two years that exceeds 20% are explained as follows:

1. Decrease in Current Ratio: Mainly due to the increase in Short-Term Borrowings in response to operating turnover in 2020, resulting in an increase in Current Liabilities.
2. Decrease in Quick Ratio: Due to reason state above in 1.
3. Decrease in Times Interest Earned: Mainly due to decrease in Net Income before Tax due to the impact of COVID-19 in 2020.
4. Decrease in Cash Flow Ratio: Mainly due to the higher amount of dividends received from subsidiaries in 2019, the increase in overall operating cash inflows compared with 2020, and the increase in Short-Term Borrowings in response to operating turnover in 2020, resulting in an increase in Current Liabilities.
5. Increase in Cash Flow Reinvestment Ratio: Due to reason state above in 4 and the increase in Cash Dividends issued in 2019 compared to 2020.

Note 1: The net cash flow from operation was negative and therefore excluded from the financial ratio calculations.

Note 2: The Steel Product Segment was discontinued in 2017. However, as the segment was Continuing Operations in 2016, the Statement of Comprehensive Income for 2016 was restated accordingly.

Note 3: The Discontinued Operations were included.

Note 4: The financial ratios including the Discontinued Operations of 2018, 2019, and 2020 are listed as follows:

| Year                           |                                                | 2018<br>(Including Discontinued Operations) |
|--------------------------------|------------------------------------------------|---------------------------------------------|
| Item                           |                                                |                                             |
| Liquidity Analysis             | Times Interest Earned (%)                      | 41.90                                       |
| Operating Performance Analysis | Average Collection Turnover (Times)            | 3.75                                        |
|                                | Days Sales Outstanding                         | 97                                          |
|                                | Average Inventory Turnover (Times)             | 8.86                                        |
|                                | Average Payment Turnover (Times)               | 2.84                                        |
|                                | Average Inventory Turnover Days                | 41                                          |
|                                | Property, Plant and Equipment Turnover (Times) | 1.73                                        |
|                                | Total Assets Turnover (Times)                  | 0.08                                        |
| Profitability Analysis         | Pre-tax Income to Paid-in Capital Ratio (%)    | 49.59                                       |
|                                | Net Profit Ratio (%)                           | 130.45                                      |
|                                | Earnings per Share (NTD)                       | 4.76                                        |
| Leverage                       | Operating Leverage                             | -4.31                                       |
|                                | Financial Leverage                             | 0.73                                        |

Note: There is no amount of Discontinued Operations in 2019 and 2020.

## (II) Financial Analysis - Consolidated

| <div> <div></div> <div>Year</div> <div>Item</div> </div> |                                                       | Most Recent 5-Year Financial Analysis |        |        |        |        |
|----------------------------------------------------------|-------------------------------------------------------|---------------------------------------|--------|--------|--------|--------|
|                                                          |                                                       | 2016<br>(Restated)<br>(Note 7)        | 2017   | 2018   | 2019   | 2020   |
| Capital Structure Analysis (%)                           | Debts Ratio                                           | 48.08                                 | 60.40  | 55.42  | 63.33  | 64.27  |
|                                                          | Long-term Fund to Property, Plant and Equipment Ratio | 243.77                                | 246.69 | 252.48 | 280.47 | 292.51 |
| Liquidity Analysis (%)                                   | Current Ratio                                         | 218.40                                | 175.59 | 198.56 | 169.46 | 190.37 |
|                                                          | Quick Ratio                                           | 84.17                                 | 69.60  | 77.73  | 57.45  | 67.74  |
|                                                          | Times Interest Earned                                 | 1,023.99                              | 671.53 | 833.77 | 367.32 | 374.02 |
| Operating Performance Analysis                           | Average Collection Turnover (Times)                   | 2.96                                  | 3.13   | 3.99   | 3.33   | 3.39   |
|                                                          | Days Sales Outstanding                                | 123                                   | 116    | 91     | 109    | 107    |
|                                                          | Average Inventory Turnover (Times)                    | 0.81                                  | 0.78   | 0.89   | 0.66   | 0.55   |
|                                                          | Average Payment Turnover (Times)                      | 4.66                                  | 4.72   | 5.38   | 4.06   | 3.71   |
|                                                          | Average Inventory Turnover Days                       | 451                                   | 467    | 410    | 553    | 663    |
|                                                          | Property, Plant and Equipment Turnover (Times)        | 1.35                                  | 1.44   | 1.76   | 1.44   | 1.29   |
|                                                          | Total Assets Turnover (Times)                         | 0.40                                  | 0.37   | 0.48   | 0.32   | 0.29   |
|                                                          |                                                       |                                       |        |        |        |        |

| Year<br>Item           |                                                      | Most Recent 5-Year Financial Analysis |          |        |          |       |
|------------------------|------------------------------------------------------|---------------------------------------|----------|--------|----------|-------|
|                        |                                                      | 2016<br>(Restated)<br>(Note 7)        | 2017     | 2018   | 2019     | 2020  |
| Profitability Analysis | Return on Total Assets (%)                           | 5.02                                  | 3.08     | 6.71   | 2.17     | 2.31  |
|                        | Return on Equity (%)                                 | 9.06                                  | 6.07     | 14.65  | 4.05     | 4.99  |
|                        | Pre-tax Income to Paid-in Capital Ratio (%) (Note 6) | 54.97                                 | 36.76    | 62.48  | 23.05    | 25.72 |
|                        | Net Profit Ratio (%)                                 | 12.09                                 | 7.07     | 13.17  | 4.81     | 6.03  |
|                        | Earnings Per Share (NTD) (Note 8)                    | 2.60                                  | 1.58     | 4.76   | 1.32     | 1.47  |
| Cash Flow              | Cash Flow Ratio (%)                                  | 29.80                                 | (Note 1) | 27.91  | (Note 1) | 17.87 |
|                        | Cash Flow Adequacy Ratio (%)                         | 79.38                                 | 66.46    | 115.98 | 73.17    | 61.33 |
|                        | Cash Flow Reinvestment Ratio (%)                     | 6.57                                  | (Note 1) | 8.69   | (Note 1) | 6.86  |
| Leverage               | Operating Leverage                                   | 2.65                                  | 3.24     | 2.85   | 4.09     | 4.00  |
|                        | Financial Leverage                                   | 1.06                                  | 1.10     | 1.12   | 1.35     | 1.27  |

The changes in financial ratios in the most recent two years that exceeds 20% are explained as follows:

1. Increase in Return on Equity: Mainly due to the Real Estate Development Segment made better profits in 2018 than in 2019 and 2020, so Shareholders' Equity at the end of 2018 was higher, resulting in an increase in Average Shareholders' Equity in 2019.
2. Increase in Net Profit Ratio: The ratio of revenue and profit to the total annual amount of the Real Estate Development Segment with high profitability in 2020 were both higher than that in 2019, resulting in a higher Net Profit Ratio in 2020 compared with that in 2019.
3. Increase in Cash Flow Ratio: Mainly due to net cash outflow from consolidated operating activities as a result of acquisition of land in Houlongzi Section on Taichung City in 2019. Not applicable in 2020.
4. Increase in Cash Flow Reinvestment Ratio: Due to reason state above in 3.

Note 1: The Net Cash Flow from operation was negative and therefore excluded from the financial ratio calculations.



Note 2: The following lists the formulas used for performing the financial analysis:

1. Capital Structure Analysis:

- (1) Debts Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund to Property, Plant and Equipment Ratio = (Total Equities + Non-Current Liabilities) / (Net Property, Plant, and Equipment)

2. Liquidity Analysis:

- (1) Current Ratio = Current Assets/ Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.
- (3) Times Interest Earned = Net Profit before income Tax and Interest/ Interest Expenses

3. Operating Performance Analysis:

- (1) Average Collection Turnover (including bills receivable resulting from Accounts Receivable and business operations) = Net Operating Revenues / Average Accounts Receivable (including bills receivable resulting from Accounts Receivable and business operations)
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Payment Turnover (including bills payable resulting from accounts payable and business operations) = Cost of Sales / Average Accounts Payable (including bills payable resulting from accounts payable and business operations)
- (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (6) Property, Plant, and Equipment Turnover = Net Operating Revenues / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Operating Revenues / Average Total Assets

4. Profitability Analysis:

- (1) Return on Total Assets = [Net Income (Loss) + Interest Expenses x (1 - Tax Rates)] / Average Total Assets
- (2) Return on Equity = Net Income (Loss) / Average Total Equity
- (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
- (4) Net Profit Ratio = Net Income (Loss) / Net Operating Revenues
- (5) Earnings Per Share = (Net Income (Loss) Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 3)

5. Cash flow:

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other non-current Assets + Working Capital) (Note 4)

6. Leverage:

- (1) Operating Leverage = (Net operating revenues - Variable Cost) / Net Operating Income (Note 5)
- (2) Financial Leverage = Net Operating Income / (Net Operating Income - Interest Expenses)

Note 3: Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

- 1. Use the weighted average number of common shares, not the number of shares outstanding at the end of year.
- 2. Shares from cash capital increase or treasury stock transactions shall be considered when calculating the weighted average number of shares.
- 3. The shares from capitalization of earnings or capital surplus shall be retrospectively adjusted by the proportion of capital increase when calculating the earnings per share for previous annual and semi-annual periods. The issuance period of the capital increase does not have to be considered.
- 4. If a preferred stock is designated as cumulative and non-convertible, the annual dividend of the year (whether or not issued) should be deducted from the Net Income or be added to the Net Loss. If the preferred shares are non-cumulative in nature, where Net Income is available, preferred share dividends should be deducted from it. No adjustment is required if the company generates Net Loss.

Note 4: Special attention should be paid to the following when measuring cash flow analysis:

- 1. Net Cash Flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
- 2. Capital expenditure refers to the annual cash outflows for capital investments.
- 3. The increase in Inventory is included only if the balance at the end of period is greater than the balance at the beginning of period. If it is the other way around, the number used should be zero.
- 4. Cash Dividends include cash dividends from common and preferred shares.
- 5. Gross Property, Plant and Equipment refers to the total value of Property, Plant and Equipment minus accumulated depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they are classified based on rationality and consistency.

Note 6: Where Corporation shares have no par value or where the par value per share is not NTD 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio Attributable to the owners of parent of the Balance Sheets.

Note 7: The Steel Product Segment was discontinued in 2017. However, as the segment was Continuing Operations in 2016, the Statement of Comprehensive Income for 2016 was restated accordingly.

Note 8: The Discontinued Operations were included.

Note 9: The financial ratios including the Discontinued Operations of 2018, 2019, and 2020 are listed as follows:

| Item \ Year                    |                                                | 2018<br>(Including Discontinued Operations) |
|--------------------------------|------------------------------------------------|---------------------------------------------|
| Liquidity Analysis             | Times Interest Earned (%)                      | 9.50                                        |
| Operating Performance Analysis | Average Collection Turnover (Times)            | 4.00                                        |
|                                | Days Sales Outstanding                         | 91                                          |
|                                | Average Inventory Turnover (Times)             | 0.89                                        |
|                                | Average Payment Turnover (Times)               | 5.38                                        |
|                                | Average Inventory Turnover Days                | 410                                         |
|                                | Property, Plant and Equipment Turnover (Times) | 1.76                                        |
|                                | Total Assets Turnover (Times)                  | 0.48                                        |
| Profitability Analysis         | Pre-tax Income to Paid-in Capital Ratio (%)    | 72.14                                       |
|                                | Net Profit Ratio (%)                           | 13.15                                       |
|                                | Earnings per Share (NTD)                       | 4.76                                        |
| Leverage                       | Operating Leverage                             | 2.85                                        |
|                                | Financial Leverage                             | 1.12                                        |

Note: There is no amount of discontinued operations in 2019 and 2020.

### **III. Audit Committee's Review Report**

China Metal Products Co., Ltd.

#### **Audit Committee Review Report**

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements and Proposal for Earnings Appropriation, among which the Financial Statements have been audited by KPMG, Taiwan, by whom an audit report has been issued accordingly. The above statements and reports have been examined and reviewed by the Audit Committee, and no irregularities were found. According to the Securities and Exchange Act and the Company Act, we hereby submit this report.

To:

China Metal Products Co., Ltd.

Convener of the Audit Committee: CHANG, Ming Jye

March 30, 2021

**IV. The CPA-audited Consolidated Financial Statements and Notes Disclosures for the Most Recent Financial Period:**

Please refer to pages 218-307 of the Annual Report.

**V. The CPA-audited Parent Company Only Financial Statements and Notes Disclosures for the Most Recent Financial Period:**

Please refer to pages 308-389 of the Annual Report.

**VI. If the Company or its Affiliates Experienced Financial Difficulties in the Most Recent Year, up to the Date of the Annual Report Publication, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation:**  
**None.**

## Chapter 7 Review and Analysis of the Financial Position, Financial Performance, and Risk Analysis

### I. Financial Position

(I) Main Reasons for Significant Changes in Assets, Liabilities, and Shareholders' Equity during the Past Two Years:

Unit: NTD `000

| Item \ Year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2020       | 2019       | Amount of Changes | Proportion of Changes (%) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-------------------|---------------------------|
| Current Assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 28,659,348 | 27,165,528 | 1,493,820         | 5.50                      |
| Property, Plant, and Equipment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 10,164,563 | 9,589,959  | 574,604           | 5.99                      |
| Intangible Assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 400,762    | 415,890    | (15,128)          | (3.64)                    |
| Other Assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 5,562,647  | 5,756,325  | (193,678)         | (3.36)                    |
| Total Assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 44,787,320 | 42,927,702 | 1,859,618         | 4.33                      |
| Current Liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 15,054,778 | 16,030,502 | (975,724)         | (6.09)                    |
| Non-current Liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 13,730,470 | 11,155,109 | 2,575,361         | 23.09                     |
| Total Liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 28,785,248 | 27,185,611 | 1,599,637         | 5.88                      |
| Equity Attributable to Owners of Parent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 12,026,394 | 11,889,197 | 137,197           | 1.15                      |
| Share Capital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 3,761,221  | 3,852,521  | (91,300)          | (2.37)                    |
| Capital Surplus                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1,487,802  | 1,523,104  | (35,302)          | (2.32)                    |
| Retained Earnings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 6,651,340  | 6,569,681  | 81,659            | 1.24                      |
| Other Equity Interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 126,031    | (56,109)   | 182,140           | 324.62                    |
| Non-controlling Interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 3,975,678  | 3,852,894  | 122,784           | 3.19                      |
| Total Equity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 16,002,072 | 15,742,091 | 259,981           | 1.65                      |
| <p>Explanations for significant changes (amount of changes that greater than 20% and reached NTD 10 million between the two periods):</p> <ol style="list-style-type: none"> <li>1. Increase in Non-Current Liabilities: Mainly due to the increase in Long-Term Loans due to the funding needs of the Group's development project in Taichung City.</li> <li>2. Increase in Other Equity Interest: Mainly due to exchange rate fluctuations, which resulted in an increase in the exchange difference in the financial statements of foreign operating institutions compared with that of last year.</li> </ol> |            |            |                   |                           |

(II) Impact on Financial Positions by the Changes: No significant impact was observed.

(III) Future Remedial Plans: Not applicable.

## II. Financial Performance:

### (I) Financial Performance Analysis

1. Main Reasons for Significant Change during the Past Two Years for the Operating Revenues, Net Operating Income and Net Income before Tax:

Unit: NTD `000

| Item \ Year                                                                                                                                                                                                                                    | 2020       | 2019       | Amount of Changes | Proportion of Changes (%) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|-------------------|---------------------------|
| Operating Revenues                                                                                                                                                                                                                             | 13,125,899 | 13,770,124 | (644,225)         | (4.68)                    |
| Gross Profit                                                                                                                                                                                                                                   | 3,298,792  | 3,244,104  | 54,688            | 1.69                      |
| Net Operating Income                                                                                                                                                                                                                           | 1,297,615  | 1,034,519  | 263,096           | 25.43                     |
| Non-operating Income and Expenses                                                                                                                                                                                                              | (330,051)  | (146,485)  | (183,566)         | (125.31)                  |
| Net Income from Continuing Operations before Tax                                                                                                                                                                                               | 967,564    | 888,034    | 79,530            | 8.96                      |
| Net Income                                                                                                                                                                                                                                     | 791,441    | 661,684    | 129,757           | 19.61                     |
| Other Comprehensive Income (Loss) (Income after Tax)                                                                                                                                                                                           | 210,517    | (323,173)  | 533,690           | 165.14                    |
| Total Comprehensive Income (Loss)                                                                                                                                                                                                              | 1,001,958  | 338,511    | 663,447           | 195.99                    |
| Net Income Attributable to Owners of Parent                                                                                                                                                                                                    | 557,458    | 508,727    | 48,731            | 9.58                      |
| Net Income Attributable to Non-controlling Interests                                                                                                                                                                                           | 233,983    | 152,957    | 81,026            | 52.97                     |
| Total Comprehensive Income Attributable to Owners of Parent                                                                                                                                                                                    | 742,283    | 248,734    | 493,549           | 198.42                    |
| Total Comprehensive Income Attributable to Non-controlling Interests                                                                                                                                                                           | 259,675    | 89,777     | 169,898           | 189.24                    |
| Earnings Per Share (NTD)                                                                                                                                                                                                                       | 1.47       | 1.32       | 0.15              | 11.36                     |
| Main Reasons for Significant Change (amount of changes that Greater Than 20% and Reached NTD 10 Million) during the Past Two Years for the Operating Revenues, Net Operating Income and Net Income before Tax:                                 |            |            |                   |                           |
| 1. Increase in Net Operating Income: The operating revenue of the Real Estate Development Segment with high profitability in 2020 was higher than that in 2019, resulting in a higher Net Operating Income in 2020 compared with that in 2019. |            |            |                   |                           |

2. Projected Sales Volume and the Basis of Estimation and the Potential Impact and Remedial Plans for the Company's Future Finance and Operation:

The 2021 projected sales volume was calculated based on the current market situation, the estimated future economy as well as order placed by customers. The projected 2021 sales volume is as follows:

| <u>Major products</u>        | <u>Projected Sales Volume</u> |
|------------------------------|-------------------------------|
| Metal manufacturing products | 208,107 tons                  |
| Metal manufacturing products | 1,898 thousand Pieces         |
| Casting Steel                | 256 thousand Pieces           |
| Retail Business              | (Note)                        |
| Real Estate Development      | (Note)                        |

Note: Due to the industry nature, no sales volume for retail business and real estate development was projected.

### III. Cash flow:

(I) Cash Flow Analysis for the Current Year

Unit: NTD `000

| Item                                                                                                                                                                                                                                                                                                               | 2020    | 2019      | Change by Amount | Change by Percentage (%) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------|------------------|--------------------------|
| Increase (decrease) in cash and cash equivalents                                                                                                                                                                                                                                                                   | 513,258 | (196,143) | 709,401          | 361.68                   |
| Explanation of the proportion of the changes (%):                                                                                                                                                                                                                                                                  |         |           |                  |                          |
| The increase and decrease in Cash and Cash Equivalents in the two reporting periods was mainly due to the acquisition of expenditures for acquisition of land in the Houlongzi section of Taichung in 2019, which resulted in the Net Cash Outflow from Consolidated Operating Activities. Not applicable in 2020. |         |           |                  |                          |

(II) Remedial Plans for Liquidity Shortfalls: Not applicable.



## (III) Cash Flow Analysis for the Next 12 Months

Unit: NTD `000

| Initial cash balance<br>(1) | Annual net cash flow from operating activities<br>(2) | Annual net cash outflow from investment and financing activities<br>(3) | Cash balance (Deficit)<br>(1)+(2)-(3) | Remedial measures for cash inadequacy |                |
|-----------------------------|-------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------|---------------------------------------|----------------|
|                             |                                                       |                                                                         |                                       | Investment Plan                       | Financing Plan |
| 4,213,805                   | 2,261,795                                             | 2,769,613                                                               | 3,705,987                             | 0                                     | 0              |

## 1. Cash Flow Analysis for 2021

- (a) Operating activities: The cash inflow is expected to be NTD 2,261,795 thousand, being that net cash inflow from earnings earned from operating activities in 2021 is expected.
- (b) Investment activities: Estimated cash outflow of NTD 1,685,619 thousand, mainly due to cash outflows as a result of capital expenditures.
- (c) Financing activities: The cash outflow is expected to be NTD 1,083,994 thousand, mainly due to cash outflow for repayment of bank loans and cash dividends paid.

## 2. Remedial Measures and Analysis of Liquidity Shortfalls: None.

**IV. Impact of Major Capital Expenditure on Finance and Operations: None.****V. Investment Policy of the Most Recent Year, Main Reasons for Income or Loss, Remedial Actions and Investment Plans for the Next 12 Months**

## (I) Investment Policy

CMP has transformed into a holding company. Apart from increasing holdings in the existing investments, CMP plans to invest in the industries with growth potential as long-term investment targets.

## (II) Major reasons for profit or loss of reinvestments and improvement plan:

Unit: NTD `000

| Investee Companies                        | Investment Income/(Loss) Recognized in 2020 | Explanations                                                                                | Remedial Actions for (Losses)                    |
|-------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------|
| ADVANCISION (CAYMAN) Industries Co., LTD. | (17,725)                                    | Due to the impact of COVID-19, the overall market environment is poor, resulting in losses. | Actively acquire new customers.                  |
| Keng-Hsin Urban Renewal Co., Ltd.         | (6,801)                                     | The construction project was still in the development stage, resulting in losses.           | Actively develop suitable construction projects. |

| <b>Investee Companies</b>                        | <b>Investment Income/(Loss) Recognized in 2020</b> | <b>Explanations</b>                                                                                                                                              | <b>Remedial Actions for (Losses)</b>                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hua-Pu Development Co., Ltd.                     | 58                                                 | Not Applicable.                                                                                                                                                  | Not Applicable.                                                                                                                                                                                                                                                                                                                          |
| CMAAN Health Co., Ltd.                           | (9,258)                                            | Due to the impact of COVID-19, the overall market environment is poor, resulting in losses.                                                                      | Actively acquire new customers.                                                                                                                                                                                                                                                                                                          |
| Amida Trustlink Assets Management Co., Ltd.      | -                                                  | Not Applicable.                                                                                                                                                  | Not Applicable.                                                                                                                                                                                                                                                                                                                          |
| The Splendor Hospitality International Co., Ltd. | (77,499)                                           | Due to the impact of COVID-19 and the sales performance of physical stores in shopping malls, it is subject to online shopping competition, resulting in losses. | The hotel will adjust prices and target strategies in a timely manner in response to market consumption preferences, form alliances with different industries, frequent business visits, refine the brand image of the mall, and conduct spatial planning and reuse, hoping to drive up the sales performance of the mall in the future. |
| Beyond Fitness Co., Ltd.                         | 1,619                                              | Not Applicable.                                                                                                                                                  | Not Applicable.                                                                                                                                                                                                                                                                                                                          |
| FANTASYSTORY INC.                                | (1,460)                                            | Losses incurred due to the addition of the entity accounted for using equity method in 2019, which was still at the beginning phase of cross-industry alliance.  | Actively acquire new customers.                                                                                                                                                                                                                                                                                                          |

(III) Investment Plans for the Next 12 Months:

Upon capital requirements from the existing investment companies, CMP Group shall assess the growth potential before approving on the proposed increase in investments.

## VI. Risk Management

- (I) Effect upon the consolidated company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

Unit: NTD `000

| Item                      | Impact on Consolidated<br>Income/ (Loss) |          | Remedial Measures                                                                                                                                                 |
|---------------------------|------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           | Accounts                                 | 2020     |                                                                                                                                                                   |
| Changes in interest rates | Interest Expense                         | 274,739  | To prevent future interest rates from rising, it is planned to extend the borrowing period or increase the amount of fixed-rate loan for long-term capital needs. |
| Changes in exchange rates | Net Foreign Exchange Gains (Loss)        | (54,106) | In the future, if there are major fluctuations in the exchange rate, it is planned to evaluate derivatives financial products to reduce risks.                    |
| Inflation                 | -                                        | -        | No material impact.                                                                                                                                               |

### 1. Interest Rate Analysis

The interest risk exposure from financial assets and liabilities of the CMP Group has been disclosed in the Consolidated Financial Statements' 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. The analysis assumed the amount of floating interest rate bank loans at the end of the reporting period had been outstanding for the entire period.

If the interest rate increases or decreases by 1% CMP Group's net income will decrease /increase by NTD 109,985 thousand and NTD 119,683 thousand for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remain constant. This is mainly due to CMP Group's variable rate borrowings.

## 2. Currency Risk

### (1) Exposure to Foreign Currency Risk

CMP Group's significant exposure to foreign currency risk is as follows:

|                              | December 31, 2020                 |                  |                   | December 31, 2019                 |                  |                   |
|------------------------------|-----------------------------------|------------------|-------------------|-----------------------------------|------------------|-------------------|
|                              | Foreign<br>currency<br>(thousand) | Exchange<br>rate | NTD<br>(thousand) | Foreign<br>currency<br>(thousand) | Exchange<br>rate | NTD<br>(thousand) |
| <u>Financial assets</u>      |                                   |                  |                   |                                   |                  |                   |
| Monetary items               |                                   |                  |                   |                                   |                  |                   |
| USD: NTD                     | 21,890                            | 28.48            | 623,430           | 25,467                            | 29.98            | 763,486           |
| USD: RMB                     | 116,751                           | 6.50             | 3,325,082         | 33,943                            | 6.96             | 1,017,620         |
| USD: JPY                     | 1,063                             | 103.08           | 30,277            | 639                               | 108.62           | 19,163            |
| EUR: NTD                     | 408                               | 35.02            | 14,287            | 2,354                             | 33.59            | 79,064            |
| EUR: RMB                     | 845                               | 8.00             | 29,602            | 2,258                             | 7.79             | 75,842            |
| JPY: NTD                     | 54,520                            | 0.28             | 15,064            | 93,893                            | 0.28             | 25,914            |
| JPY:RMB                      | 50,832                            | 0.06             | 14,045            | 33,989                            | 0.06             | 9,381             |
| HKD: USD                     | 6,370                             | 0.13             | 23,376            | 9,752                             | 0.13             | 37,546            |
| <u>Financial liabilities</u> |                                   |                  |                   |                                   |                  |                   |
| Monetary items               |                                   |                  |                   |                                   |                  |                   |
| USD: RMB                     | 138,325                           | 6.50             | 3,939,509         | 109,837                           | 6.96             | 3,292,900         |
| EUR: RMB                     | 1,655                             | 8.00             | 57,947            | 8,618                             | 7.79             | 289,492           |
| HKD: USD                     | 335,088                           | 0.13             | 1,229,771         | 390,880                           | 0.13             | 1,504,888         |

### (2) Sensitivity Analysis

CMP Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, 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, 2020 and 2019 would have increased (decreased) the after tax net income for the years ended December 31, 2020 and 2019 by NTD 9,217 thousand and NTD 24,474 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

As CMP Group deals in diverse functional currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange gains (losses) (including both realized and unrealized), amounted to NTD 54,106 thousand and (NTD 5,738 thousand), respectively.

- (II) The consolidated company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

All investments of CMP Group are conformed to the "Procedures for Acquisition or Disposal of Assets" and only executed after stringent assessments. Any loans to others, endorsement and guarantees are conformed to the "Procedures for Loans to Others and the Procedures for Endorsements and Guarantees". All counterparties engaged in lending, endorsements and guarantees during 2020 and 2021 Q1 are either CMP's subsidiaries or as a result of all capital contributing shareholders providing endorsements/guarantees to their jointly invested company in proportion to their shareholding percentages. No loss was incurred from the aforementioned actions. In addition, the consolidated company has not engaged in derivative transactions during 2020 and 2021 Q1.

CMP Group will continue to comply with the procedures and avoid engaging in high-risk and highly leveraged investments. Any loans to others, guarantees and endorsements shall also comply with the established procedures. Any financial derivative transactions shall conform to the Procedures for Acquisition or Disposal of Assets and solely for the purpose of hedging.

- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work

CMP Group has been a professional OEM of metal manufacturing products since it was founded, and has adhered to the belief of independent research and development. Its central technology originates from the Company's long-term training of technicians for research in material developments, casting mold developments and process improvements. Future research and development are focused on intelligent manufacturing, automation, development of special materials and higher precision metal manufacturing products. The related product lines will be carefully matched with the downstream customer timeline, and batch produces accordingly. Therefore, time pressing production problems do not exist. The success factors of future R&D of

CMP Group lie within the quality of developers, mastery of manufacturing technology, acknowledging customer demands, and improvement in production efficiency based on long-term accumulation of R&D results, to attain market competition advantages.

- (IV) Effect on the consolidated company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

CMP Group has proceeded in response to the amendments to the corporate governance and the Company Act by the competent authorities.

- (V) Effect on the consolidated company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The advancement of science and technology in recent years has no direct and major impact on the finance and operations of CMP Group. The merged company has promoted technology and product transformation in recent years, strengthening intelligent manufacturing and automation. CMP Group strives to enhance the production technology and management ability to actively develop products with high value-adding, improve its grasp of industrial supply and demand and market price fluctuations, and strengthen its operating characteristics.

- (VI) Effect on the consolidated company's crisis management of changes in its corporate image, and measures to be taken in response:

CMP Group has always adhered to the principle of sustainable operation and business integrity, and there is no foreseeable crisis at present.

- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

No merger and acquisition plans for CMP Group up to the date of publication of annual report.  
No potential risk in this regard.

- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

CMP Group plans to establish a new plant in Wuhan with production lines set up in batches based on the trend and changes in the market and global economy. CMP Group expects to achieve risk mitigation and synergy through the above expansion.

- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

CMP Group strives to diversify the suppliers and customers and there shall be no risk of excessive concentration on sales and purchases.

- (X) Effect upon and risk to CMP in the event a major quantity of shares belonging to a Director or shareholder holding greater than a 10% stake in CMP has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

There has been no substantial transfer of equity shares by the Directors or major shareholders who owned 10% or more of CMP's shares.

- (XI) Effect upon and risk to the Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

CMP's management focuses on diligent operation with the aid and supports from the Directors and Independent Directors. There is no potential risk caused by change in management.

- (XII) Litigious or non-litigious matters

1. The Securities and Futures Investors Protection Center (SFIPC) filed a criminal incidental civil action on behalf of CMP against the former chairman of CMP, Mr. Ming Shiann, Ho. However, 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.
2. The SFIPC filed a lawsuit against CMP, its directors and supervisors, and certain employees of the CMP Group. On March 27, 2019, the Supreme Court vacated the adjudication 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, which is now being on trial of the Supreme Court.

- (XIII) Other important risks, and mitigation measures being or to be taken

#### **Risk Assessment and Management of Information Security**

To maintain the normal operation of information systems, ensure the safety of information transmission of the transaction, protect the confidentiality, integrity, availability of information and the supportive processing equipment, systems and network from multiple threats, minimize possible damages, ensure the sustainable operation, CMP has engage various measures and actions to control the information security at various checkpoints in accordance with the internal control procedures governing information security.

CMP has a dedicated information security authority, which cooperates with government units to conduct an information security response mechanism; it has formulated internal information security related policies and procedures to comply with the spirit of laws and regulations and the

information security management system (ISMS) to continuously improve and minimize information security vulnerabilities:

CMP's information security structure is as follow:



Risk Assessment and Corresponding Strategies:

According to the Horizon Scan Report published by the Business Continuity Institute (UK) for the nine consecutive year, the top five threats, shocks and trends affecting business continuity in the past three years are as follows:

| Year | Top 5 threats                                                                                                                                                                                              |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2018 | 1. Unplanned IT and telecom outages<br>2. Safety and health incidents<br>3. Lack of talents and key technologies<br>4. Network attacks and data leakage<br>5. Product quality incidents / product recovery |
| 2019 | 1. IT and telecom outages<br>2. Safety and health incidents<br>3. Lack of talents/key technologies<br>4. Network attacks and data leakage<br>5. Product quality incidents / product recovery               |
| 2020 | 1. Health incidents<br>2. IT and telecom outages<br>3. Safety incidents<br>4. Lack of talents/key skills<br>5. Network attacks and data leakage                                                            |

Source: <https://www.bsigroup.com/zh-TW/ISO-22301-Business-Continuity/bci-2020/>



- I. Unwarned IT and telecom outage: CMP has completed the construction of cloud virtualization for any important service and through high availability mechanism and perfect backup strategy to ensure that it can maintain uninterrupted operations in any situation. In terms of lines, through close cooperation with third-party vendors, a multi-route backup VPN has been established to allow uninterrupted information flow between branches and headquarter and it can be restored in the shortest time.
- II. Network attacks and data leakage risks: CMP The company plans to establish an "Information Security Management System Promotion Group" and release the "Personal Sensitive Information and Special Authority Access Management Measures" in the first half of 2021. The formulation of the measures will make up for the lack of management.
- III. Continuous investment to improve risk: CMP has also continued to invest and achieve fair results in the improvement of security risk. In addition to using firewalls and other tools to block external threats, it is expected to introduce the "Intranet Abnormal Monitoring System" in the first half of 2021, with a perfect backup strategy to avoid malicious intrusion.
- IV. In order to prevent the business interruption caused by health incidents, CMP has successfully implemented the cloud switchboard and remote work plan in August 2020, making business continuity more flexible and convenient.

## VII. Other Important Matters

The following basis is used for Balance Sheets valuation account assessments:

| No. | Assets/Liabilities<br>Valuation Accounts | Assessment Basis                                                                                                                                                                                                                                                                                                                                         |
|-----|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | Allowance for<br>Accounts Receivable     | The allowance loss of CMP's accounts receivable is estimated based on the assumption of default risk and expected loss rate. CMP 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. |

| No. | Assets/Liabilities<br>Valuation Accounts           | Assessment Basis                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2   | Provision for Loss of<br>Inventory<br>Depreciation | As inventories are measured at the lower of cost or net realizable value, CMP 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 assessment of this inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have material changes due to rapid industrial changes. |

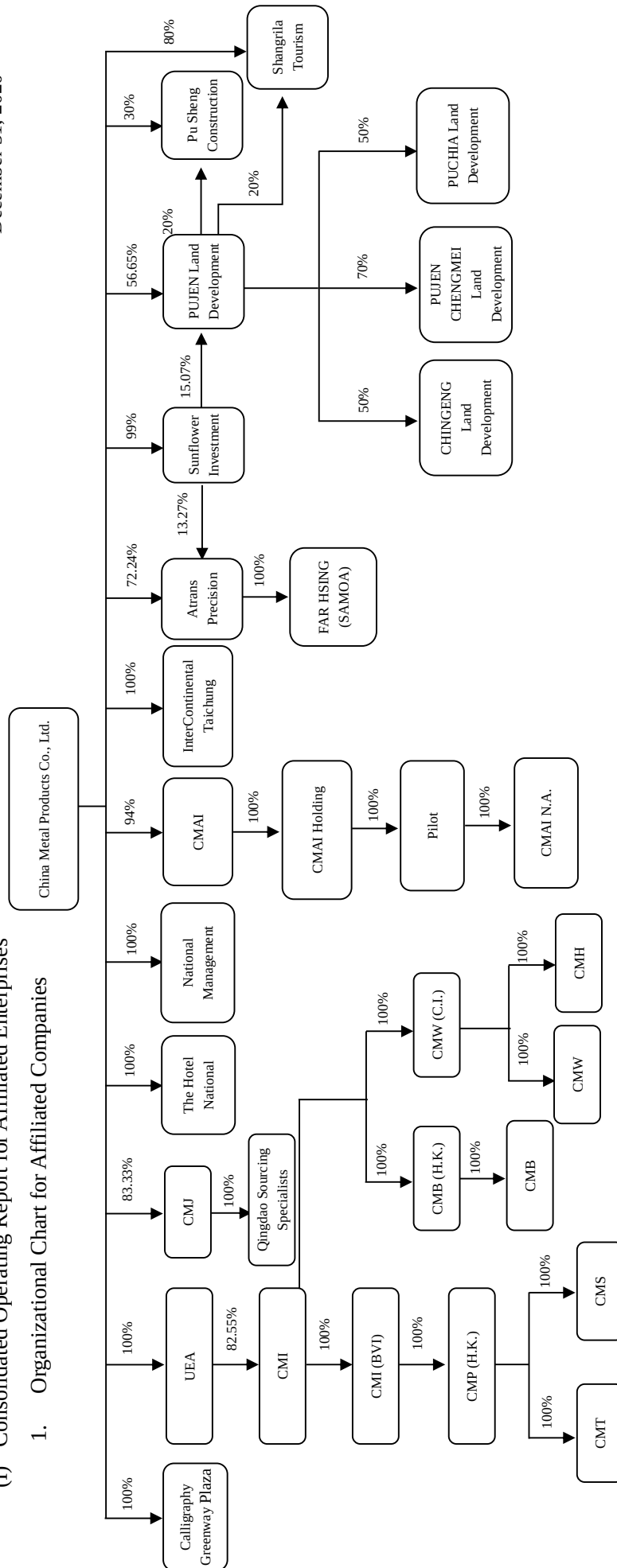
## Chapter 8 Special Items

### I. Information on Affiliated Companies

#### (I) Consolidated Operating Report for Affiliated Enterprises

##### 1. Organizational Chart for Affiliated Companies

December 31, 2020



## 2. Basic Information on Affiliated Companies

As of December 31, 2020 Unit: USD/NTD/JPY/HKD 1,000

|   | Company Name                          | Date of Incorporation | Address                                                                                      | Paid-up Capital | Scope of Business                                                                                                                                                                              |
|---|---------------------------------------|-----------------------|----------------------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0 | China Metal Products Co., Ltd.        | 1972/09               | 4F., No.85, Sec.4, Ren-ai Rd., Da-an District, Taipei 106, Taiwan (R.O.C.).                  | NTD 3,761,221   | Manufacture and process of various metal parts, development and leasing of residential and commercial buildings, international tourism businesses, and retail department store operation, etc. |
| 1 | Atrans Precision Industries Co., Ltd. | 1971/10               | No.3, Gaoqing Rd., Yangmei Dist., Taoyuan City 326, Taiwan (R.O.C.).                         | NTD 356,875     | Casting manufacturing, processing, maintenance and sales of automotive and industrial machinery spare parts such as brake drum, bearing seats, oil pumps and gear reducers;                    |
| 2 | CMP(H.K.) Industry Co., Ltd.          | 1992/08               | Room 1106-08, 11th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong | USD 21,000      | The holding company investing in CMT CMS.                                                                                                                                                      |
| 3 | CMJ CO., LTD.<br>(Note 1)             | 2000/09               | Sales of casting and forging products, pig iron, power transmission equipment, etc.          | JPY 30,000      | Sales and customer service of casting and forging products                                                                                                                                     |
| 4 | CMW (Tianjin) Industry Co., Ltd.      | 2005/01               | No. 55, Guanghua St., West Dist., TEDA, Tianjin, China                                       | USD 32,000      | R&D, production and sales of precision as-casts and finished products used for automobile and electromechanical.                                                                               |
| 5 | CMAI INDUSTRIES, INC.                 | 2003/09               | 15035 Pilot Drive, Plymouth, MI 48170, USA                                                   | USD 7,793       | Auto parts business                                                                                                                                                                            |
| 6 | CMB(H.K.) Co., Ltd.                   | 2007/06               | Room 1106-08, 11th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong | USD 82,000      | The holding company investing in CMB.                                                                                                                                                          |
| 7 | Sunflower Investment Co., Ltd.        | 1997/12               | 4F., No.85, Sec.4, Ren-ai Rd., Da-an District, Taipei 106, Taiwan (R.O.C.).                  | NTD 676,831     | General investment                                                                                                                                                                             |
| 8 | Tianjin CMT Industry Co., Ltd.        | 1992/11               | 0-10, Tangnan Road, Binhai New Area, Tianjin, China                                          | USD 30,000      | Design, develop, produce and sell various iron casting products as well as machinery and auto parts                                                                                            |
| 9 | Suzhou CMS Machinery Co., Ltd.        | 1999/12               | No. 151, Jinfeng Road, Suzhou New Area, Suzhou, Jiangsu Province, China.                     | USD 24,000      | Design, develop, produce and sell various iron casting products as well as machinery and auto parts                                                                                            |

|    | Company Name                                   | Date of Incorporation | Address                                                                                   | Paid-up Capital | Scope of Business                                                                                                |
|----|------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------|
| 10 | PUJEN Land Development Co., Ltd.               | 2002/11               | 11F., No.85, Sec.4, Ren-ai Rd., Da-an District, Taipei 106, Taiwan (R.O.C.).              | NTD 2,804,719   | Development, leasing and sales of residential, commercial, and industrial buildings, and other special projects. |
| 11 | Far Hsing(Samoa) Enterprise Co., Ltd.          | 2002/02               | Offshore Chambers, P.O Box 217, Apia, Samoa                                               | US 3,922        | The holding company investing in Advancision (Cayman).                                                           |
| 12 | Pu Sheng Construction Co., Ltd.                | 2003/12               | 6F., No.10-2, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.) | NTD 100         | Development, leasing and sales of residential, commercial, and industrial buildings, and other special projects. |
| 13 | China Metal Automotive International Co., Ltd. | 2003/02               | Suite A, 19/F, RITZ PLAZA, 122 AUSTIN ROAD, TSIM SHA TSUI, KL, HONG KONG                  | USD 1,000       | Auto parts business                                                                                              |
| 14 | United Elite Agents Limited                    | 2004/04               | P.O. BOX 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. | USD 668         | The holding company investing in CMI.                                                                            |
| 15 | China Metal International Holdings Inc.        | 2004/08               | Clifton House, 75 Fort Street, P.O. Box 1350GT, George Town, Grand Cayman.                | HKD 9,974       | The holding company investing in CMI (BVI), CMW (C.I.), and CMB (H.K.); casting business                         |
| 16 | China Metal International (BVI) Limited        | 2004/12               | P.O. BOX 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. | USD 0           | The holding company investing in CMP (H.K.).                                                                     |
| 17 | CMW(Cayman Islands) Co., Ltd.                  | 2005/01               | Genesis Building, Fifth Floor P.O Box448 GT, Grand Cayman, Cayman Islands.                | USD 50,000      | The holding company investing in CMW and CMH.                                                                    |
| 18 | Suzhou CMB Machinery Co., Ltd.                 | 2004/10               | No. 96, Zhenbei Road, Tongan Town, Suzhou New Area, Suzhou, Jiangsu Province, China.      | USD 82,000      | Design, production and sales of various casting products.                                                        |
| 19 | The Hotel National Co., Ltd.                   | 1980/02               | No. 57, Guan Chian Road, West District, Taichung, Taiwan (R.O.C.).                        | NTD 312,000     | International tourism hotel business.                                                                            |

|    | Company Name                                   | Date of Incorporation | Address                                                                           | Paid-up Capital | Scope of Business                                                                                                                                                                                                        |
|----|------------------------------------------------|-----------------------|-----------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 20 | National Management Co., Ltd.                  | 2006/12               | B2, No.68, Gongyi Rd., Taichung, Taiwan (R.O.C.).                                 | NTD 10,000      | Management consulting business.                                                                                                                                                                                          |
| 21 | PUJEN CHENGMEI Land Development Co., Ltd.      | 2010/06               | 11F., No.85, Sec.4, Ren-ai Rd., Da-an District, Taipei 106, Taiwan (R.O.C.).      | NTD 135,000     | Development, leasing and sales of residential, commercial, and industrial buildings, and other special projects.                                                                                                         |
| 22 | PUCHIA Land Development Co., Ltd.              | 2010/07               | 11F., No.85, Sec.4, Ren-ai Rd., Da-an District, Taipei 106, Taiwan (R.O.C.).      | NTD 70,000      | Development, leasing and sales of residential, commercial, and industrial buildings, and other special projects.                                                                                                         |
| 23 | CHINGENG Land Development Co., Ltd.            | 2010/01               | 4F-1., No.85, Sec.4, Ren-ai Rd., Da-an District, Taipei 106, Taiwan (R.O.C.).     | NTD 145,000     | Development, leasing and sales of residential, commercial, and industrial buildings, and other special projects.                                                                                                         |
| 24 | Shangrila Tourism Co., Ltd.                    | 1987/08               | No. 15-3, Rugushan, Zaoqiao Township, Miaoli County 361, Taiwan (R.O.C.)          | NTD 226,648     | Business related to amusement park sightseeing and hotel management.                                                                                                                                                     |
| 25 | Qingdao Sourcing Specialists Trading Co., Ltd. | 2013/08               | Rm. 602, No. 87, Fuzhou S. Road, South Dist., Qingdao, Shandong Province, China   | USD 100         | Sales and customer service of casting and forging products                                                                                                                                                               |
| 26 | Pilot Drive LLC                                | 2016/09               | 15035 Pilot Drive Plymouth MI 48170, USA                                          | USD 8,329       | Asset leasing.                                                                                                                                                                                                           |
| 27 | CMAI Holding, Inc.                             | 2016/09               | 1206 Orange Street, Wilmington DE 19801, USA                                      | USD 8,329       | The holding company investing in Pilot.                                                                                                                                                                                  |
| 28 | CMI (Wu Han) Precision Machinery Co., Ltd.     | 2018/07               | The land development is still in process and, therefore, no address is available. | USD 32,000      | R&D, manufacture, and processing of parts and precision casting blanks and dies of various automotive, agricultural locomotives, industrial locomotives, household appliances, and provide related after-sales services. |
| 29 | InterContinental Taichung Co., Ltd.            | 2020/02               | No. 341, Section 2, Taiwan Avenue, West District, Taichung City                   | NTD 300         | International tourism hotel business.                                                                                                                                                                                    |
| 30 | Calligraphy Greenway Plaza Co., Ltd.           | 2020/12               | No. 341, Section 2, Taiwan Avenue, West District, Taichung City                   | NTD 30,000      | Execution and management of entrusted operation of related affairs of Calligraphy Greenway Plaza and affiliated facilities                                                                                               |

Note 1: Formerly CHINA METAL JAPAN COMPANY LIMITED.

3. Information of person who concurrently serves as the shareholders in both CMP Group and its affiliates: None.
4. Industries Covered by the Business Operation of the Affiliated Companies
  - (1) Design, R&D, manufacture and sales of various metal products in the metal manufacturing industry (e.g., the Company, Tianjin CMT Industry Co., Ltd., Suzhou CMS Machinery Co., Ltd., CMW (Tianjin) Industry Co., Ltd., Suzhou CMB Machinery Co., Ltd., and CMI (Wu Han) Precision Machinery Co., Ltd.);
  - (2) Processing and assembling of automotive and industrial machinery spare parts such as brake drum, bearing seats, oil pumps and gear reducers (e.g., Atrans Precision Industries Co., Ltd.);
  - (3) Sales of metal casting and forging products in the Japan and Mainland China markets. (e.g., CMJ CO., LTD. and Qingdao Sourcing Specialists Trading Co., Ltd.);
  - (4) General investment business (e.g., Sunflower Investment Co., Ltd.);
  - (5) Offshore holding companies (e.g., CMP (H.K.) Industry Co., Ltd., Far Hsing (Samoa) Enterprise Co., Ltd., CMW (Cayman Islands) Co., Ltd., CMB (H.K.) Co., Ltd., United Elite Agents Limited , China Metal International Holdings Inc., China Metal International (BVI) Limited , and CMAI Holding, Inc.);
  - (6) Development, leasing and sales of residential, commercial, and industrial buildings. (PUJEN Land Development Co., Ltd., Pu Sheng Construction Co., Ltd., PUJEN CHENGMEI Land Development Co., Ltd., PUCHIA Land Development Co., Ltd., and CHINGENG Land Development Co., Ltd.);
  - (7) Asset leasing. (e.g., Pilot Drive LLC);
  - (8) Hospitality business (e.g., The Hotel National Co., Ltd., InterContinental Taichung Co., LTD. and Shangrila Tourism Co., Ltd.);
  - (9) Management consultancy business (e.g., National Management Co., Ltd.);
  - (10) Tourism and recreation business (e.g., Shangrila Tourism Co., Ltd.);
  - (11) Provide services such as local sales, logistics and warehousing, quality inspection, and project management of various automobile vehicles, trucks, agricultural machines, railway and wind power components (e.g., China Metal Automotive International Co., Ltd.); and
  - (12) Retail and shopping mall management related matters. (e.g., Calligraphy Greenway Plaza Co., Ltd.)
5. The Segregation of Interrelated Business amongst the Affiliated Companies:
  - (1) Manufacturing and sales of metal products: CMP and various subsidiaries of China Metal International Holdings Inc.: Tianjin CMT Industry Co., Ltd., Suzhou CMS Machinery Co., Ltd.,

CMW (Tianjin) Industry Co., Ltd., Suzhou CMB Machinery Co., Ltd., and CMI (Wu Han) Precision Machinery Co., Ltd. were established by industry geographic regions and are financially independent from each other.

- (2) Atrans Precision Industries Co., Ltd. is mainly engaged in the processing and assembling of automobile and industrial machinery spare parts and also a customer of CMP. However, Atrans Precision is independent from CMP in terms of financial, operations and marketing. As such, it conducts business independently from CMP.
- (3) CMJ CO., LTD. and its subsidiary Qingdao Sourcing Specialists Trading Co., Ltd. primarily focused on sales of casting and forging products in the Japan and Mainland China markets. As such, it conducts business independently from CMP.
- (4) China Metal Automotive International Co., Ltd. and its subsidiaries CMAI INDUSTRIES, INC. primarily focused on sales of casting and forging automotive parts in North America and Europe markets. As such, it conducts business independently from CMP.
- (5) Sunflower Investment Co., Ltd. is a professional investment company which has no business relationship with CMP and conducts business independently from the company.
- (6) The offshore holding companies such as CMP (H.K.) Industry Co., Ltd., Far Hsing (Samoa) Enterprise Co., Ltd. CMW (Cayman Islands) Co., Ltd., CMB (H.K.) Co., Ltd., United Elite Agents Limited, and China Metal International (BVI) Limited, were established as 3rd place trans-investment vehicles to invest in the Mainland China in accordance with the cross-strait regulations promulgated by the governments.
- (7) PUJEN Land Development Co., Ltd. primarily focuses on the developing, leasing, and selling of residential, commercial, and industrial buildings and urban renewal projects and is independently operated. It conducts business independently from CMP.
- (8) PUJEN CHENGMEI Land Development Co., Ltd., Pu Sheng Construction Co., Ltd., PUCHIA Land Development Co., Ltd., and CHINGENG Land Development Co., Ltd., were joint ventures established by the Company or its subsidiaries in accordance with government regulations. These companies primarily focused on developing, leasing, and selling of residential, commercial, and industrial buildings and urban renewal projects and are independently operated. It conducts business independently from CMP.
- (9) CMAI Holding, Inc., is the holding company investing in CMAI INDUSTRIES, INC. As such, it conducts business independently from CMP.
- (10) Pilot Drive LLC is an asset leasing company in North America. As such, it conducts business independently from CMP.



## 6. Information on Directors, Supervisors and Presidents of Affiliated Companies

December 31, 2020 Unit: Shares

|   | Company Name                           | Title                | Name or representative                                                            | Shareholding |        |
|---|----------------------------------------|----------------------|-----------------------------------------------------------------------------------|--------------|--------|
|   |                                        |                      |                                                                                   | Shares       | %      |
| 0 | China Metal Products Co., Ltd.         | Chairman             | Lucent Source., Ltd.<br>(Representative:<br>LIN, Ting Fung)                       | 825,000      | 0.22%  |
|   |                                        | Director             | Chain-Yuan Investment Co., Ltd.<br>(Representative:<br>KING, Fong Tien)           | 50,038,965   | 13.30% |
|   |                                        | Director             | TSAO, Ming Hong                                                                   | 3,092,879    | 0.82%  |
|   |                                        | Director             | WU, Shu Chuan                                                                     | 5,702,198    | 1.52%  |
|   |                                        | Director             | HO, Cheng Yu                                                                      | 4,056,384    | 1.08%  |
|   |                                        | Director             | HO, Pei Fen                                                                       | 6,750,833    | 1.79%  |
|   |                                        | Independent Director | CHANG, Ming Jye                                                                   | -            | -      |
|   |                                        | Independent Director | LIAO, Liou Yi                                                                     | -            | -      |
|   |                                        | Independent Director | LIN, Jung Chuen                                                                   | -            | -      |
|   |                                        | President            | LIN, Ting Fung                                                                    | 1,002,067    | 0.27%  |
| 1 | Atrans Precision Industries Co., Ltd.  | Chairman             | China Metal Products Co., Ltd.<br>(Representative:<br>LIN, Ting Fung)             | 25,782,134   | 72.24% |
|   |                                        | Director             | China Metal Products Co., Ltd.<br>(Representative: TSAO, Chia Jen, LIN, Ching Yi) |              |        |
|   |                                        | Supervisor           | CHEN, Hung-Yi                                                                     | -            | -      |
|   |                                        | Supervisor           | HE, Shih Kang                                                                     | -            | -      |
|   |                                        | President            | LIN, Ching Yi                                                                     | -            | -      |
| 2 | CMP (H.K.) Industry Co., Ltd. (Note 1) | Director             | HO, Ming Shiann                                                                   | -            | -      |
|   |                                        | Director             | CHEN, Shun Min                                                                    | -            | -      |

|    | Company Name                                    | Title      | Name or representative                                                                  | Shareholding |        |
|----|-------------------------------------------------|------------|-----------------------------------------------------------------------------------------|--------------|--------|
|    |                                                 |            |                                                                                         | Shares       | %      |
| 3  | CMJ CO., LTD.<br>(Note 2)                       | Chairman   | Kazuya Murakami                                                                         | 100          | 16.67% |
|    |                                                 | Director   | LIN, Ting Fung                                                                          | -            | -      |
|    |                                                 | Director   | TSAO, Ming Hong                                                                         | -            | -      |
|    |                                                 | Supervisor | HE, Shih Kang                                                                           | -            | -      |
| 4  | CMW (Tianjin)<br>Industry Co., Ltd.<br>(Note 1) | Chairman   | HO, Ming Shiann                                                                         | -            | -      |
|    |                                                 | Director   | TSAO, Ming Hong                                                                         | -            | -      |
|    |                                                 | Director   | LIN, Ting Fung                                                                          | -            | -      |
| 5  | CMAI INDUSTRIES,<br>INC. (Note 3)               | Chairman   | CHAO, Tai-Wei                                                                           | -            | -      |
|    |                                                 | Director   | CHEN, Shun Min                                                                          | -            | -      |
|    |                                                 | Director   | CHEN, Hung-Yi                                                                           | -            | -      |
| 6  | CMB (H.K.) Co., Ltd.<br>(Note 1)                | Director   | HO, Ming Shiann                                                                         | -            | -      |
|    |                                                 | Director   | CHEN, Shun Min                                                                          | -            | -      |
| 7  | Sunflower Investment<br>Co., Ltd.               | Chairman   | China Metal Products Co.,<br>Ltd.<br>(Representative: HO, Pei Lin)                      | 67,006,291   | 99.00% |
|    |                                                 | Director   | China Metal Products Co.,<br>Ltd.<br>(Representative: LIN, Ting<br>Fung, LIN, Ching Yi) |              |        |
|    |                                                 | Supervisor | WANG, Pei Chang                                                                         | -            | -      |
| 8  | Tianjin CMT Industry<br>Co., Ltd. (Note 1)      | Chairman   | HO, Ming Shiann                                                                         | -            | -      |
|    |                                                 | Director   | LIN, Ting Fung                                                                          | -            | -      |
|    |                                                 | Director   | TSAO, Ming Hong                                                                         | -            | -      |
| 9  | Suzhou CMS<br>Machinery Co., Ltd.<br>(Note 1)   | Chairman   | HO, Ming Shiann                                                                         | -            | -      |
|    |                                                 | Director   | LIN, Ting Fung                                                                          | -            | -      |
|    |                                                 | Director   | TSAO, Ming Hong                                                                         | -            | -      |
|    |                                                 | Supervisor | CHEN, Shun Min                                                                          | -            | -      |
| 10 | PUJEN Land<br>Development Co., Ltd.             | Chairman   | China Metal Products Co.,<br>Ltd.<br>(Representative:<br>LIN, Ting Fung)                | 158,877,643  | 56.65% |

|    | Company Name                                               | Title         | Name or representative                                                                         | Shareholding |         |
|----|------------------------------------------------------------|---------------|------------------------------------------------------------------------------------------------|--------------|---------|
|    |                                                            |               |                                                                                                | Shares       | %       |
|    |                                                            | Vice Chairman | China Metal Products Co., Ltd.<br>(Representative: TSAO, Ming Hong)                            |              |         |
|    |                                                            | Director      | China Metal Products Co., Ltd.<br>(Representative: WU, Shu Chuan, WANG, Chia Yu, HO, Pei Shan) |              |         |
|    |                                                            | Supervisor    | San Lien Educational Foundation<br>(Representative: HO, Cheng Yu)                              | 7,692        | 0.00%   |
|    |                                                            | Supervisor    | LIN, Chi Wei                                                                                   | 189,962      | 0.07%   |
|    |                                                            |               |                                                                                                |              |         |
| 11 | Far Hsing(Samoa) Enterprise Co., Ltd.                      | Chairman      | Atrans Precision Industries Co., Ltd. (Representative: LIN, Ting Fung)                         | 3,922,055    | 100.00% |
| 12 | Pu Sheng Construction Co., Ltd.                            | Chairman      | Pu Yuan Construction Co., Ltd.<br>(Representative: YANG, Yue Hu)                               | 2,500        | 25.00%  |
|    |                                                            | Director      | PUJEN Land Development Co., Ltd.<br>(Representative: WANG, Chia Yu)                            | 2,000        | 20.00%  |
|    |                                                            | Director      | LIN, Ting Fung                                                                                 | -            | -       |
|    |                                                            | Supervisor    | TSAO, Ming Hong                                                                                | -            | -       |
|    |                                                            | Supervisor    | Zhenyong Investment Co., Ltd.<br>(Representative: LIN, Wen Yi)                                 | 2,500        | 25.00%  |
| 13 | China Metal Automotive International Co., Ltd.<br>(Note 4) | Chairman      | CHEN, Shun Min                                                                                 | -            | -       |
|    |                                                            | Director      | TSAO, Ming Hong                                                                                | -            | -       |
|    |                                                            | Director      | CHEN, Hung-Yi                                                                                  | -            | -       |

|    | Company Name                                     | Title                       | Name or representative                                                                            | Shareholding |         |
|----|--------------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------|--------------|---------|
|    |                                                  |                             |                                                                                                   | Shares       | %       |
| 14 | United Elite Agents Limited                      | Director                    | LIN, Ting Fung                                                                                    | -            | -       |
|    |                                                  | Director                    | CHEN, Shun Min                                                                                    | -            | -       |
| 15 | China Metal International Holdings Inc. (Note 5) | Chairman/Executive Director | LIN, Ting Fung                                                                                    | -            | -       |
|    |                                                  | Executive Director          | MAI, Sheng Wei                                                                                    | -            | -       |
|    |                                                  | Executive Director          | CHEN, Shun Min                                                                                    | -            | -       |
|    |                                                  | Non-Executive Director      | Christian Odgaard Pedersen                                                                        | -            | -       |
|    |                                                  | Non-Executive Director      | HO, Pei Lin                                                                                       | 1,644,628    | 0.16%   |
| 16 | China Metal International (BVI) Limited (Note 1) | Director                    | LIN, Ting Fung                                                                                    | -            | -       |
| 17 | CMW (Cayman Islands) Co., Ltd. (Note 1)          | Director                    | LIN, Ting Fung                                                                                    | -            | -       |
|    |                                                  | Director                    | CHEN, Shun Min                                                                                    | -            | -       |
| 18 | Suzhou CMB Machinery Co., Ltd. (Note 1)          | Chairman                    | HO, Ming Shiann                                                                                   | -            | -       |
|    |                                                  | Director                    | LIN, Ting Fung                                                                                    | -            | -       |
|    |                                                  | Director                    | CHEN, Shun Min                                                                                    | -            | -       |
|    |                                                  | Supervisor                  | TSAO, Ming Hong                                                                                   | -            | -       |
| 19 | The Hotel National Co., Ltd.                     | Chairman                    | China Metal Products Co., Ltd.<br>(Representative: LIN, Ting Fung)                                | 31,200,000   | 100.00% |
|    |                                                  | Vice Chairman               | China Metal Products Co., Ltd.<br>(Representative: CHAI, Jun Lin)                                 |              |         |
|    |                                                  | Director                    | China Metal Products Co., Ltd.<br>(Representative: TSAO, Ming Hong, HO, Cheng Yu, MAI, Sheng Wei) |              |         |
|    |                                                  | Supervisor                  | China Metal Products Co., Ltd.<br>(Representative: WANG, Chia Yu, HO, Feng Zhou)                  |              |         |

|    | Company Name                              | Title         | Name or representative                                                                           | Shareholding |         |
|----|-------------------------------------------|---------------|--------------------------------------------------------------------------------------------------|--------------|---------|
|    |                                           |               |                                                                                                  | Shares       | %       |
| 20 | National Management Co., Ltd.             | Chairman      | China Metal Products Co., Ltd.<br>(Representative: HO, Cheng Yu)                                 | 1,000,000    | 100.00% |
|    |                                           | Director      | China Metal Products Co., Ltd.<br>(Representative: MAI, Sheng Wei, WANG, Chia Yu)                |              |         |
|    |                                           | Supervisor    | China Metal Products Co., Ltd.<br>(Representative: KUO, Kuang Yi)                                |              |         |
| 21 | PUJEN CHENGMEI Land Development Co., Ltd. | Chairman      | PUJEN Land Development Co., Ltd.<br>(Representative: WANG, Chia Yu)                              | 9,450,000    | 70.00%  |
|    |                                           | Director      | PUJEN Land Development Co., Ltd.<br>(Representative: HO, Pei Shan)                               |              |         |
|    |                                           | Director      | PUJEN CHENGMEI Land Development Co., Ltd.<br>(Representative: CHEN, Pai Tung, HUANG, Sheng Shun) | 4,050,000    | 30.00%  |
|    |                                           | Supervisor    | FANG, Hung Hsu                                                                                   | -            | -       |
|    |                                           | Supervisor    | HUANG, Su Hua                                                                                    | -            | -       |
| 22 | PUCHIA Land Development Co., Ltd.         | Chairman      | PUJEN Land Development Co., Ltd.<br>(Representative: WANG, Chia Yu)                              | 3,500,000    | 50.00%  |
|    |                                           | Director      | PUJEN Land Development Co., Ltd.<br>(Representative: FANG, Hung Hsu)                             |              |         |
|    |                                           | Vice Chairman | LEESCO Development Co., Ltd.<br>(Representative: LEE, Huei Huang)                                | 3,500,000    | 50.00%  |
|    |                                           | Director      | LEESCO Development Co., Ltd.<br>(Representative: LEE, Chen Han)                                  |              |         |
|    |                                           | Supervisor    | HO, Pei Shan                                                                                     | -            | -       |
|    |                                           | Supervisor    | HUANG, Chih Yueh                                                                                 | -            | -       |
| 23 | CHINGENG Land Development Co., Ltd.       | Chairman      | PUJEN Land Development Co., Ltd. (Representative: WANG, Chia Yu)                                 | 7,250,000    | 50.00%  |

|    | Company Name                                            | Title      | Name or representative                                                | Shareholding |         |
|----|---------------------------------------------------------|------------|-----------------------------------------------------------------------|--------------|---------|
|    |                                                         |            |                                                                       | Shares       | %       |
|    |                                                         | Director   | Keng-Hsin Urban Renewal Co., Ltd.<br>(Representative: LIN, Yung Tsai) | 7,250,000    | 50.00%  |
|    |                                                         | Supervisor | HO, Pei Shan                                                          | -            | -       |
| 24 | Shangrila Tourism Co., Ltd.                             | Chairman   | China Metal Products Co., Ltd.<br>(Representative: MAI, Sheng Wei)    | 18,131,840   | 80.00%  |
|    |                                                         | Director   | China Metal Products Co., Ltd.<br>(Representative: HO, Cheng Yu)      |              |         |
|    |                                                         | Director   | PUJEN Land Development Co., Ltd.<br>(Representative: WANG, Chia Yu)   | 4,532,960    | 20.00%  |
|    |                                                         | Supervisor | FANG, Hung Hsu                                                        | -            | -       |
| 25 | Qingdao Sourcing Specialists Trading Co., Ltd. (Note 6) | Chairman   | Kazuya Murakami                                                       | -            | -       |
| 26 | Pilot Drive LLC (Note 3)                                | Chairman   | CHEN, Shun Min                                                        | -            | -       |
|    |                                                         | Director   | CHEN, Hung-Yi                                                         | -            | -       |
|    |                                                         | Director   | CHAO, Tai-Wei                                                         | -            | -       |
| 27 | CMAI Holding, Inc. (Note 3)                             | Chairman   | CHEN, Shun Min                                                        | -            | -       |
|    |                                                         | Director   | CHEN, Hung-Yi                                                         | -            | -       |
|    |                                                         | Director   | CHAO, Tai-Wei                                                         | -            | -       |
| 28 | CMI (Wu Han) Precision Machinery Co., Ltd. (Note 1)     | Chairman   | LIN, Ting Fung                                                        | -            | -       |
|    |                                                         | Director   | CHEN, Shun Min                                                        | -            | -       |
|    |                                                         | Director   | WANG, Kuo Nien                                                        | -            | -       |
|    |                                                         | Supervisor | MAI, Sheng Wei                                                        | -            | -       |
| 29 | InterContinental Taichung Co., Ltd.                     | Chairman   | China Metal Products Co., Ltd.<br>(Representative: LIN, Ting Fung)    | 30,000       | 100.00% |
| 30 | Calligraphy Greenway Plaza Co., Ltd.                    | Chairman   | China Metal Products Co., Ltd.<br>(Representative: HO, Cheng Yu)      | 3,000,000    | 100.00% |

Note 1: A subsidiary 100% directly/indirectly held by China Metal International Holdings Inc.

Note 2: A subsidiary 83.33% held by China Metal Products Co., Ltd.

Note 3: A subsidiary 100% held by China Metal Automotive International Co., Ltd.

Note 4: A subsidiary 94% held by China Metal Products Co., Ltd.

Note 5: A subsidiary 82.55% directly/indirectly held China Metal Products Co., Ltd.

Note 6: A subsidiary 100% held by CMJ CO., LTD.

## 7. Operational Highlights of Affiliated Companies

December 31, 2020 Unit: NTD `000 , except earnings/(loss) per share (NTD)

|    | Company Name                                   | Capital Stock | Total Assets | Total Liabilities | Net Worth  | Operating Revenues | Operating Profit (Loss) | Profit/ (Loss) (after Tax) | Basic Earnings (Loss) Per Share (after Tax) |
|----|------------------------------------------------|---------------|--------------|-------------------|------------|--------------------|-------------------------|----------------------------|---------------------------------------------|
| 0  | China Metal Products Co., Ltd.                 | 3,761,221     | 22,198,012   | 10,171,618        | 12,026,394 | 1,214,052          | (63,704)                | 557,458                    | 1.47                                        |
| 1  | Atrans Precision Industries Co., Ltd.          | 356,875       | 892,668      | 380,127           | 512,541    | 505,552            | (11,545)                | (65,453)                   | (1.83)                                      |
| 2  | Sunflower Investment Co., Ltd.                 | 676,831       | 1,229,887    | 300,163           | 929,724    | 0                  | (2,192)                 | 46,022                     | 0.68                                        |
| 3  | PUJEN Land Development Co., Ltd.               | 2,804,719     | 16,960,578   | 9,870,742         | 7,089,836  | 2,608,915          | 640,301                 | 498,999                    | 1.78                                        |
| 4  | Pu Sheng Construction Co., Ltd.                | 100           | 19,545       | 273               | 19,272     | 32,379             | 12,124                  | 11,100                     | 1,109.95                                    |
| 5  | The Hotel National Co., Ltd.                   | 312,000       | 1,344,782    | 1,516,059         | (171,277)  | 195,766            | (35,873)                | (40,481)                   | (1.30)                                      |
| 6  | National Management Co., Ltd.                  | 10,000        | 39,194       | 22,374            | 16,820     | 66,232             | 1,051                   | 2,025                      | 2.03                                        |
| 7  | United Elite Agents Limited                    | 21,071        | 8,458,299    | 1,231,141         | 7,227,158  | 0                  | (137)                   | 541,692                    | 811.14                                      |
| 8  | China Metal Automotive International Co., Ltd. | 34,852        | 194,986      | 51,692            | 143,294    | 124,842            | 2,893                   | 2,398                      | 0.80                                        |
| 9  | CMJ CO., LTD.                                  | 8,751         | 213,540      | 120,678           | 92,862     | 430,229            | 15,937                  | 22,062                     | 36,770.58                                   |
| 10 | Far Hsing (Samoa) Enterprise Co., Ltd.         | 128,303       | 122,713      | 71                | 122,642    | 0                  | (27)                    | (14,314)                   | (3.65)                                      |
| 11 | CHINGENG Land Development Co., Ltd.            | 145,000       | 658,621      | 519,911           | 138,710    | 0                  | (341)                   | (270)                      | (0.02)                                      |
| 12 | PUJEN CHENGMEI Land Development Co., Ltd.      | 135,000       | 107,972      | 9,307             | 98,665     | 15,488             | (9,112)                 | (9,757)                    | (0.72)                                      |
| 13 | PUCHIA Land Development Co., Ltd.              | 70,000        | 116,160      | 60,522            | 55,638     | 0                  | 842                     | (166)                      | (0.02)                                      |

|    | Company Name                                   | Capital Stock | Total Assets | Total Liabilities | Net Worth  | Operating Revenues | Operating Profit (Loss) | Profit/ (Loss) (after Tax) | Basic Earnings (Loss) Per Share (after Tax) |
|----|------------------------------------------------|---------------|--------------|-------------------|------------|--------------------|-------------------------|----------------------------|---------------------------------------------|
| 14 | China Metal International Holdings Inc.        | 36,509        | 16,046,239   | 5,988,064         | 10,058,175 | 988,347            | 42,765                  | 709,663                    | 0.71                                        |
| 15 | China Metal International (BVI) Limited        | 5             | 5,251,618    | 0                 | 5,251,618  | 0                  | 0                       | 334,738                    | 2,076,537.36                                |
| 16 | CMP(H.K.) Industry Co., Ltd.                   | 601,016       | 5,251,618    | 0                 | 5,251,618  | 0                  | 0                       | 334,738                    | 15.94                                       |
| 17 | CMB(H.K.) Co., Ltd.                            | 2,346,823     | 2,738,330    | 215,063           | 2,523,267  | 23,860             | (12,831)                | (42,938)                   | (0.52)                                      |
| 18 | CMW(Cayman Islands) Co., Ltd.                  | 1,430,990     | 9,153,612    | 1,758,869         | 7,394,743  | 1,125,202          | 40,976                  | 230,004                    | 4.60                                        |
| 19 | Tianjin CMT Industry Co., Ltd.                 | 854,400       | 1,100,916    | 4,423             | 1,096,493  | 6,336              | (15,812)                | (27,736)                   | (0.92)                                      |
| 20 | Suzhou CMS Machinery Co., Ltd.                 | 683,520       | 4,384,002    | 586,815           | 3,797,187  | 2,708,558          | 412,329                 | 371,339                    | 15.47                                       |
| 21 | Suzhou CMB Machinery Co., Ltd.                 | 2,335,360     | 3,447,084    | 752,592           | 2,694,492  | 1,536,711          | (58,829)                | (38,034)                   | (0.46)                                      |
| 22 | CMW (Tianjin) Industry Co., Ltd.               | 911,360       | 5,973,884    | 1,249,858         | 4,724,026  | 3,511,796          | 393,691                 | 350,450                    | 10.95                                       |
| 23 | CMAI INDUSTRIES, INC.                          | 221,944       | 84,328       | 32,575            | 51,753     | 91,543             | (9,184)                 | (538)                      | (0.07)                                      |
| 24 | Qinxin Trade Co., Ltd.                         | 0             | 0            | 0                 | 0          | 0                  | (3,776)                 | (3,921)                    | (28.01)                                     |
| 25 | Shangri-La Tourism Co., Ltd.                   | 226,648       | 554,246      | 534,880           | 19,366     | 93,987             | (14,278)                | (11,625)                   | (0.51)                                      |
| 26 | Qingdao Sourcing Specialists Trading Co., Ltd. | 2,848         | 59,828       | 15,086            | 44,742     | 166,570            | 16,782                  | 12,411                     | 0.00                                        |
| 27 | Pilot Drive LLC                                | 237,200       | 124,615      | 48,667            | 75,948     | 7,092              | 5,263                   | 2,339                      | 0.28                                        |
| 28 | CMAI Holding, Inc.                             | 237,200       | 75,948       | 0                 | 75,948     | 0                  | 0                       | 2,339                      | 0.28                                        |
| 29 | CMI (Wu Han) Precision Machinery Co., Ltd.     | 911,360       | 1,491,838    | 534,401           | 957,437    | 0                  | (9,888)                 | (15,972)                   | (0.50)                                      |
| 30 | InterContinental Taichung Co., Ltd.            | 300           | 249          | 1                 | 248        | 0                  | (52)                    | (52)                       | (1.75)                                      |



|    | Company Name                         | Capital Stock | Total Assets | Total Liabilities | Net Worth | Operating Revenues | Operating Profit (Loss) | Profit/ (Loss) (after Tax) | Basic Earnings (Loss) Per Share (after Tax) |
|----|--------------------------------------|---------------|--------------|-------------------|-----------|--------------------|-------------------------|----------------------------|---------------------------------------------|
| 31 | Calligraphy Greenway Plaza Co., Ltd. | 30,000        | 30,000       | 60                | 29,940    | 0                  | (60)                    | (60)                       | (0.02)                                      |

Notes: Exchange rate used on December 31, 2020: RMB/USD=4.38/28.48; USD/ NTD = 28.48; JPY/ NTD = 0.2763

Average exchange rate during 2020: RMB/USD=4.28/29.55; USD/ NTD = 29.55; JPY/ NTD = 0.2769

## (II) Consolidated Financial Reports for Affiliated Companies

### **Statement of Declaration**

The entities that are required to be included in the combined financial statements of China Metal Products Co., Ltd. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, China Metal Products Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

As hereby declared.

Company Name: China Metal Products Co., Ltd.

Chairman: LIN, Ting Fung

Date: March 30, 2021

- II. Private Placement of Company's Common Shares during the Most Recent Year and up to the Date of Annual Report Publication: None.**
- III. Status of Company Common Shares Held or Disposed by Subsidiaries during the Most Recent Year and up to the Date of Annual Report Publication: None.**
- IV. Other Supplementary Information: None.**

**Chapter 9 Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.**



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 home.kpmg/tw

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of China Metal Products Co., Ltd. and its subsidiaries ("CMP Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of CMP Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Other Matter

China Metal Products Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unqualified opinion.

### Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of consolidated financial statements for the year ended December 31, 2020 of CMP Group. Those matters have been addressed in our audit opinion on the said consolidated financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

#### 1. Revenue recognition

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

Description of key audit matter:

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

There is risk of misstatement when the timing of revenue recognition is earlier than the transfers of control. The revenue from cast iron products selling is recognized when customers collect the goods from the shipping warehouse (the transfer of control). CMP Group's revenue recognition is based on the regarding documents or other information provided by custodian of the shipping warehouse. Due to the shipping warehouse is located in Atlanta, USA, the providing schedule and contents of information from the custodian usually involves human factors. It may result in inappropriate revenue recognition or inconsistent inventory record. Therefore, the revenue recognition is considered as one of the key audit matters.

Corresponding audit procedure:

Our main audit procedures for the above key audit matters include: understanding and evaluating the design, operation and implantation of the effectiveness of internal control on revenue recognition; understanding the major types of revenue, contract terms and transaction terms to determine the appropriateness timing of revenue recognition, also sampling the major customers and reviewing the contracts and sales orders to evaluate the revenue recognition; sampling the transaction records of sales around the balance sheet date and obtaining the transaction documents (i.e. delivery order signed by the recipient, bill of lading, documents from the warehouse custodian) to evaluate the appropriateness timing of revenue recognition; comparing the actual sales return and discount after the financial reporting date with the estimated allowance for sales return and discount on the financial reporting date and the previous financial reporting period to evaluate the reasonableness of the estimation; evaluating whether the recognition period of inventory and cost of goods sold is appropriate; performing inventory observation and checking the inventory quantity with the records.

2. Allowance for accounts receivable

For the estimation of allowance for bad debt accounting policy, please refer to Note 4(g); for the significant assumptions and judgments, and major sources of estimation uncertainty of the loss allowance of accounts receivable, please refer to Note 5; for the details of the loss allowance of accounts receivable during the years, please refer to Note 6(d).

Description of key audit matter:

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

Corresponding audit procedure:

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

### 3. Litigation provision assessment

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

Description of key audit matter:

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

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

Corresponding audit procedure:

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

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

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

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

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

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

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

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

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

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



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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 30, 2021

#### **Notes to Readers**

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

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



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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

|                     |                                                                                                    | December 31, 2020 |            | December 31, 2019 |           |            |                                                            | December 31, 2020                                  |            | December 31, 2019 |            |
|---------------------|----------------------------------------------------------------------------------------------------|-------------------|------------|-------------------|-----------|------------|------------------------------------------------------------|----------------------------------------------------|------------|-------------------|------------|
|                     |                                                                                                    | Amount            | %          | Amount            | %         |            |                                                            | Amount                                             | %          | Amount            | %          |
| Assets              |                                                                                                    |                   |            |                   |           |            |                                                            |                                                    |            |                   |            |
| Current assets:     |                                                                                                    |                   |            |                   |           |            |                                                            |                                                    |            |                   |            |
| 1100                | Cash and cash equivalents (Notes 6(a) and (z))                                                     | \$                | 4,213,805  | 9                 | 3,700,547 | 9          | 2100                                                       | Short-term borrowings (Notes 6(m) and (z))         | 18         | 8,168,354         | 19         |
| 1110                | Current financial assets at fair value through profit or loss (Notes 6(b) and (z))                 | -                 | -          | -                 | 51,440    | -          | 2130                                                       | Current contract liabilities (Notes 6(v) and 9(a)) | 6          | 1,388,953         | 4          |
| 1170                | Notes and accounts receivable, net (Notes 6(d), (v) and (z))                                       | 3,818,110         | 9          | 3,903,549         | 9         | 2170       | Notes and accounts payable (Notes 6(z) and 7)              | 6                                                  | 2,636,629  | 6                 | 2,598,484  |
| 1180                | Accounts receivable due from related parties, net (Notes 6(z) and 7)                               | 979               | -          | 515               | -         | 2180       | Accounts payable due to related parties (Notes 6(z) and 7) | -                                                  | 26,663     | -                 | 29,717     |
| 1200                | Other receivables (Note 6(z))                                                                      | 58,957            | -          | 47,180            | -         | 2200       | Other payables (Note 6(z))                                 | 4                                                  | 1,441,633  | 4                 | 837,271    |
| 1210                | Other receivables due from related parties (Notes 6(z) and 7)                                      | 35,408            | -          | 28,160            | -         | 2220       | Other payables due to related parties (Notes 6(z) and 7)   | -                                                  | 11,008     | -                 | 13,491     |
| 130X                | Inventories (Notes 6(e), 8 and 9(a))                                                               | 18,216,289        | 41         | 17,686,807        | 41        | 2230       | Current income tax liabilities                             | -                                                  | 81,350     | -                 | 113,999    |
| 1410                | Prepayments (Note 9(a))                                                                            | 245,146           | -          | 268,535           | 1         | 2280       | Current lease liabilities (Notes 6(o) and (z))             | -                                                  | 184,634    | -                 | 190,521    |
| 1470                | Other current assets                                                                               | 284,867           | 1          | 243,827           | 1         | 2322       | Long-term borrowings, current portion (Notes 6(n) and (z)) | -                                                  | 100,240    | -                 | 2,533,247  |
| 1476                | Other current financial assets (Notes 6(z), 8 and 9(a))                                            | 1,562,746         | 4          | 1,078,864         | 2         | 2399       | Other current liabilities (Notes 6(p) and (r))             | -                                                  | 89,023     | -                 | 156,465    |
| 1480                | Incremental costs of obtaining contracts                                                           | 223,041           | -          | 156,104           | -         |            | Total current liabilities                                  | 34                                                 | 15,054,778 | 37                | 16,030,502 |
|                     | Total current assets                                                                               | 28,659,348        | 64         | 27,165,528        | 63        |            | Non-current liabilities:                                   |                                                    |            |                   |            |
| Non-current assets: |                                                                                                    |                   |            |                   |           |            |                                                            |                                                    |            |                   |            |
| 1517                | Non-current financial assets at fair value through other comprehensive income (Notes 6(c) and (z)) | 257,587           | 1          | 216,065           | 1         | 2540       | Long-term borrowings (Notes 6(n) and (z))                  | 24                                                 | 10,939,362 | 19                | 8,161,069  |
| 1550                | Investments accounted for using equity method (Note 6(f))                                          | 748,266           | 2          | 853,073           | 2         | 2570       | Deferred tax liabilities (Note 6(s))                       | 1                                                  | 602,386    | 1                 | 628,060    |
| 1600                | Property, plant and equipment (Notes 6(h), 8 and 9(a))                                             | 10,164,563        | 23         | 9,589,959         | 22        | 2580       | Non-current lease liabilities (Notes 6(o) and (z))         | 4                                                  | 1,812,222  | 5                 | 1,991,672  |
| 1755                | Right-of-use assets (Note 6(i))                                                                    | 2,222,519         | 5          | 2,422,158         | 6         | 2600       | Other non-current liabilities (Notes 6(p) and 7)           | 1                                                  | 336,708    | 1                 | 319,118    |
| 1760                | Investment property, net (Notes 6(j) and 8)                                                        | 691,156           | 1          | 639,573           | 2         | 2640       | Non-current net defined benefit liabilities (Note 6(r))    | -                                                  | 39,792     | -                 | 55,190     |
| 1780                | Intangible assets (Note 6(k))                                                                      | 400,762           | 1          | 415,890           | 1         |            | Total non-current liabilities                              | 26                                                 | 13,730,470 | 26                | 11,155,109 |
| 1840                | Deferred tax assets (Note 6(s))                                                                    | 38,213            | -          | 32,234            | -         |            | Total liabilities                                          | 64                                                 | 28,785,248 | 64                | 27,185,611 |
| 1900                | Other non-current assets (Notes 6(b), 7, 8 and 9(a))                                               | 907,794           | 2          | 905,188           | 2         |            | Equity attributable to owners of parent (Note 6(t)):       |                                                    |            |                   |            |
| 1975                | Non-current net defined benefit assets (Note 6(r))                                                 | 13,053            | -          | 7,643             | -         | 3100       | Ordinary share                                             | 8                                                  | 3,761,221  | 9                 | 3,852,521  |
| 1980                | Other non-current financial assets (Notes 6(l), (z), 7 and 9(a))                                   | 684,059           | 1          | 680,391           | 1         | 3200       | Capital surplus                                            | 4                                                  | 1,487,802  | 4                 | 1,523,104  |
|                     | Total non-current assets                                                                           | 16,127,972        | 36         | 15,762,174        | 37        | 3300       | Retained earnings                                          | 15                                                 | 6,651,340  | 15                | 6,569,681  |
|                     |                                                                                                    |                   |            |                   |           | 3400       | Other equity                                               | -                                                  | 126,031    | -                 | (56,109)   |
|                     |                                                                                                    |                   |            |                   |           |            | Total equity attributable to owners of parent:             | 27                                                 | 12,026,394 | 28                | 11,889,197 |
|                     |                                                                                                    |                   |            |                   |           | 36XX       | Non-controlling interests                                  | 9                                                  | 3,975,678  | 9                 | 3,852,894  |
|                     |                                                                                                    |                   |            |                   |           |            | Total equity                                               | 36                                                 | 16,002,072 | 37                | 15,742,091 |
|                     | Total assets                                                                                       | \$                | 44,787,320 | 100               | \$        | 42,927,702 | Total liabilities and equity                               | 100                                                | \$         | 44,787,320        | 100        |

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

**Consolidated Statements of Comprehensive Income**

**For the Years Ended December 31, 2020 and 2019**

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

|      |                                                                                                                                        | <b>2020</b>         |             | <b>2019</b>        |             |
|------|----------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|--------------------|-------------|
|      |                                                                                                                                        | <b>Amount</b>       | <b>%</b>    | <b>Amount</b>      | <b>%</b>    |
| 4000 | <b>Operating revenues (Notes 6(v) and 7)</b>                                                                                           | \$ 13,125,899       | 100         | 13,770,124         | 100         |
| 5000 | <b>Operating costs (Notes 6(e) and 7)</b>                                                                                              | (9,827,107)         | (75)        | (10,526,020)       | (76)        |
|      | <b>Gross profit from operations</b>                                                                                                    | <u>3,298,792</u>    | <u>25</u>   | <u>3,244,104</u>   | <u>24</u>   |
|      | <b>Operating expenses (Note 7):</b>                                                                                                    |                     |             |                    |             |
| 6100 | Selling expenses                                                                                                                       | (557,711)           | (4)         | (601,388)          | (4)         |
| 6200 | Administrative expenses                                                                                                                | (1,461,767)         | (11)        | (1,604,384)        | (12)        |
| 6300 | Research and development expenses                                                                                                      | (12,143)            | -           | (9,399)            | -           |
| 6450 | Expected credit gains (losses) (Note 6(d))                                                                                             | 22,741              | -           | (4,884)            | -           |
|      | <b>Total operating expenses</b>                                                                                                        | <u>(2,008,880)</u>  | <u>(15)</u> | <u>(2,220,055)</u> | <u>(16)</u> |
| 6500 | <b>Net other income and expenses (Note 6(x) and 7)</b>                                                                                 | <u>7,703</u>        | <u>-</u>    | <u>10,470</u>      | <u>-</u>    |
|      | <b>Net operating income</b>                                                                                                            | <u>1,297,615</u>    | <u>10</u>   | <u>1,034,519</u>   | <u>8</u>    |
|      | <b>Non-operating income and expenses:</b>                                                                                              |                     |             |                    |             |
| 7100 | Interest income (Notes 6(y) and 7)                                                                                                     | 45,512              | -           | 57,615             | -           |
| 7010 | Other income (Notes 6(c), (y) and 7)                                                                                                   | 136,154             | 1           | 138,433            | 1           |
| 7020 | Other gains and losses (Note 6(y))                                                                                                     | (125,912)           | (1)         | (45,529)           | -           |
| 7050 | Finance costs (Note 6(y))                                                                                                              | (274,739)           | (2)         | (269,236)          | (2)         |
| 7375 | Share of losses of associates and joint ventures accounted for using equity method (Note 6(f))                                         | (111,066)           | (1)         | (27,768)           | -           |
|      | <b>Total non-operating income and expenses</b>                                                                                         | <u>(330,051)</u>    | <u>(3)</u>  | <u>(146,485)</u>   | <u>(1)</u>  |
|      | <b>Profit from continuing operations before tax</b>                                                                                    | <u>967,564</u>      | <u>7</u>    | <u>888,034</u>     | <u>7</u>    |
| 7950 | <b>Less: Tax expense (Note 6(s))</b>                                                                                                   | <u>(176,123)</u>    | <u>(1)</u>  | <u>(226,350)</u>   | <u>(2)</u>  |
| 8200 | <b>Net profit</b>                                                                                                                      | <u>791,441</u>      | <u>6</u>    | <u>661,684</u>     | <u>5</u>    |
| 8300 | <b>Other comprehensive income:</b>                                                                                                     |                     |             |                    |             |
| 8310 | <b>Items that may not be reclassified subsequently to profit or loss:</b>                                                              |                     |             |                    |             |
| 8311 | Gains on remeasurements of defined benefit plans (Note 6(r))                                                                           | 2,683               | -           | 1,814              | -           |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (Notes 6(t) and (z)) | 6,256               | -           | 17,861             | -           |
|      | <b>Total items that may not be reclassified subsequently to profit or loss</b>                                                         | <u>8,939</u>        | <u>-</u>    | <u>19,675</u>      | <u>-</u>    |
| 8360 | <b>Items that may be reclassified subsequently to profit or loss:</b>                                                                  |                     |             |                    |             |
| 8361 | Exchange differences on translation of foreign financial statements (Note 6(t))                                                        | 201,578             | 2           | (342,848)          | (3)         |
|      | <b>Total items that may be reclassified subsequently to profit or loss</b>                                                             | <u>201,578</u>      | <u>2</u>    | <u>(342,848)</u>   | <u>(3)</u>  |
| 8300 | <b>Other comprehensive income (after tax)</b>                                                                                          | <u>210,517</u>      | <u>2</u>    | <u>(323,173)</u>   | <u>(3)</u>  |
| 8500 | <b>Comprehensive income</b>                                                                                                            | <u>\$ 1,001,958</u> | <u>8</u>    | <u>338,511</u>     | <u>2</u>    |
|      | <b>Net profit, attributable to:</b>                                                                                                    |                     |             |                    |             |
| 8610 | Owners of parent                                                                                                                       | \$ 557,458          | 4           | 508,727            | 4           |
| 8620 | Non-controlling interests                                                                                                              | 233,983             | 2           | 152,957            | 1           |
|      |                                                                                                                                        | <u>\$ 791,441</u>   | <u>6</u>    | <u>661,684</u>     | <u>5</u>    |
|      | <b>Comprehensive income attributable to:</b>                                                                                           |                     |             |                    |             |
| 8710 | Owners of parent                                                                                                                       | \$ 742,283          | 6           | 248,734            | 2           |
| 8720 | Non-controlling interests                                                                                                              | 259,675             | 2           | 89,777             | -           |
|      |                                                                                                                                        | <u>\$ 1,001,958</u> | <u>8</u>    | <u>338,511</u>     | <u>2</u>    |
|      | <b>Earnings per share (expressed in dollars) (Note 6(u))</b>                                                                           |                     |             |                    |             |
| 9750 | <b>Basic earnings per share</b>                                                                                                        | <u>\$ 1.47</u>      |             | <u>1.32</u>        |             |
| 9850 | <b>Diluted earnings per share</b>                                                                                                      | <u>\$ 1.46</u>      |             | <u>1.32</u>        |             |

See accompanying notes to consolidated financial statements.

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

**CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the Years Ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

|                                                                                              | Equity Attributable to Owners of Parent |                  |                  |                   |                  |               |                                                                     |                                                                                                           |                |                                               |
|----------------------------------------------------------------------------------------------|-----------------------------------------|------------------|------------------|-------------------|------------------|---------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------|-----------------------------------------------|
|                                                                                              | Share Capital                           |                  |                  | Retained Earnings |                  |               | Other Equity                                                        |                                                                                                           |                |                                               |
|                                                                                              |                                         |                  |                  |                   |                  |               | Exchange Differences on Translation of Foreign Financial Statements | Unrealized Gains (Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income | Treasury share | Total Equity Attributable to Owners of Parent |
| <b>Balance on January 1, 2019</b>                                                            |                                         |                  |                  |                   |                  |               |                                                                     |                                                                                                           |                |                                               |
| Effects of retrospective application                                                         |                                         |                  |                  |                   |                  |               |                                                                     |                                                                                                           |                |                                               |
| Balance on January 1, 2019, after adjustments                                                | 3,852,521                               | 1,525,666        | 1,572,590        | 49,081            | 5,537,969        | 136,291       | 69,779                                                              | 12,743,897                                                                                                | -              | 16,943,165                                    |
| Profit for the year ended December 31, 2019                                                  | -                                       | -                | -                | -                 | (58,290)         | -             | -                                                                   | (58,290)                                                                                                  | -              | (58,622)                                      |
| Other comprehensive income for the year ended December 31, 2019                              | 3,852,521                               | 1,525,666        | 1,572,590        | 49,081            | 5,479,679        | 136,291       | 69,779                                                              | 12,685,607                                                                                                | -              | 16,884,543                                    |
| Total comprehensive income for the year ended December 31, 2019                              | -                                       | -                | -                | -                 | 508,727          | -             | -                                                                   | 508,727                                                                                                   | -              | 661,684                                       |
| Appropriation and distribution of retained earnings:                                         | -                                       | -                | -                | -                 | 2,186            | (280,040)     | 17,861                                                              | (259,993)                                                                                                 | -              | (323,172)                                     |
| Legal reserve                                                                                | -                                       | -                | -                | -                 | 510,913          | (280,040)     | 17,861                                                              | 248,734                                                                                                   | -              | 338,511                                       |
| Cash dividends                                                                               | -                                       | -                | -                | -                 | (183,557)        | -             | -                                                                   | -                                                                                                         | -              | -                                             |
| Other changes in capital surplus:                                                            | -                                       | -                | -                | -                 | (1,040,181)      | -             | -                                                                   | (1,040,181)                                                                                               | -              | (1,040,181)                                   |
| Changes in equity of associates and joint ventures accounted for using equity method         | -                                       | (2,562)          | -                | -                 | (2,401)          | -             | -                                                                   | (4,963)                                                                                                   | -              | (4,923)                                       |
| Changes in non-controlling interests                                                         | -                                       | -                | -                | -                 | -                | -             | -                                                                   | -                                                                                                         | -              | (10,958)                                      |
| Cash dividends paid to non-controlling interests                                             | -                                       | -                | -                | -                 | -                | -             | -                                                                   | -                                                                                                         | -              | (424,901)                                     |
| Balance on December 31, 2019                                                                 | 3,852,521                               | 1,523,104        | 1,756,147        | 49,081            | 4,764,453        | (143,749)     | 87,640                                                              | 11,889,197                                                                                                | -              | 15,742,091                                    |
| Profit for the year ended December 31, 2020                                                  | -                                       | -                | -                | -                 | 557,458          | -             | -                                                                   | 557,458                                                                                                   | -              | 791,441                                       |
| Other comprehensive income for the year ended December 31, 2020                              | -                                       | -                | -                | -                 | 2,685            | 175,947       | 6,193                                                               | 184,825                                                                                                   | -              | 210,517                                       |
| Total comprehensive income for the year ended December 31, 2020                              | -                                       | -                | -                | -                 | 560,143          | 175,947       | 6,193                                                               | 742,283                                                                                                   | -              | 1,001,958                                     |
| Appropriation and distribution of retained earnings:                                         |                                         |                  |                  |                   |                  |               |                                                                     |                                                                                                           |                |                                               |
| Legal reserve                                                                                | -                                       | -                | 45,022           | -                 | (45,022)         | -             | -                                                                   | -                                                                                                         | -              | -                                             |
| Special reserve                                                                              | -                                       | -                | -                | 7,028             | (7,028)          | -             | -                                                                   | -                                                                                                         | -              | -                                             |
| Cash dividends                                                                               | -                                       | -                | -                | -                 | (346,727)        | -             | -                                                                   | (346,727)                                                                                                 | -              | (346,727)                                     |
| Other changes in capital surplus:                                                            |                                         |                  |                  |                   |                  |               |                                                                     |                                                                                                           |                |                                               |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed of | -                                       | -                | -                | -                 | (1,136)          | -             | -                                                                   | (1,136)                                                                                                   | -              | (73)                                          |
| Acquisition of treasury share                                                                | -                                       | -                | -                | -                 | -                | -             | -                                                                   | (257,223)                                                                                                 | -              | (257,223)                                     |
| Retirement of treasury share                                                                 | (91,300)                                | (35,302)         | -                | -                 | (130,621)        | -             | -                                                                   | 257,223                                                                                                   | -              | -                                             |
| Changes in non-controlling interests                                                         | -                                       | -                | -                | -                 | -                | -             | -                                                                   | -                                                                                                         | -              | 976                                           |
| Cash dividends paid to non-controlling interests                                             | -                                       | -                | -                | -                 | -                | -             | -                                                                   | (138,930)                                                                                                 | -              | (138,930)                                     |
| <b>Balance on December 31, 2020</b>                                                          | <b>3,761,221</b>                        | <b>1,487,802</b> | <b>1,801,169</b> | <b>56,109</b>     | <b>4,794,062</b> | <b>32,198</b> | <b>93,833</b>                                                       | <b>12,026,394</b>                                                                                         | <b>-</b>       | <b>16,002,072</b>                             |

**Balance on January 1, 2019**

Effects of retrospective application

Balance on January 1, 2019, after adjustments

Profit for the year ended December 31, 2019

Other comprehensive income for the year ended December 31, 2019

Total comprehensive income for the year ended December 31, 2019

Appropriation and distribution of retained earnings:

Legal reserve

Cash dividends

Other changes in capital surplus:

Changes in equity of associates and joint ventures accounted for using equity method

Changes in non-controlling interests

Cash dividends paid to non-controlling interests

Balance on December 31, 2019

Profit for the year ended December 31, 2020

Other comprehensive income for the year ended December 31, 2020

Total comprehensive income for the year ended December 31, 2020

Appropriation and distribution of retained earnings:

Legal reserve

Special reserve

Cash dividends

Other changes in capital surplus:

Difference between consideration and carrying amount of subsidiaries acquired or disposed of

Acquisition of treasury share

Retirement of treasury share

Changes in non-controlling interests

Cash dividends paid to non-controlling interests

**Balance on December 31, 2020**

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

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

|                                                                                                      | 2020                | 2019               |
|------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| <b>Cash flows from operating activities:</b>                                                         |                     |                    |
| Profit before tax                                                                                    | \$ 967,564          | 888,034            |
| <b>Adjustments:</b>                                                                                  |                     |                    |
| Adjustments to reconcile profit (loss):                                                              |                     |                    |
| Depreciation expense                                                                                 | 949,584             | 1,005,397          |
| Amortization expense                                                                                 | 12,918              | 28,281             |
| Expected credit (gains) losses                                                                       | (22,741)            | 4,884              |
| Net losses (gains) on financial assets or liabilities at fair value through profit or loss           | 6,000               | (528)              |
| Interest expense                                                                                     | 274,739             | 269,236            |
| Interest income                                                                                      | (45,512)            | (57,615)           |
| Dividend income                                                                                      | (30,167)            | (28,196)           |
| Share of losses of associates and joint ventures accounted for using equity method                   | 111,066             | 27,768             |
| Losses on disposal of property, plant and equipment                                                  | 39,594              | 5,363              |
| Property, plant and equipment transferred to expenses                                                | 1,272               | 152                |
| Impairment loss on property, plant and equipment                                                     | -                   | 447                |
| Increase in deferred gain                                                                            | -                   | (214)              |
| Disposal of investments accounted for using equity method                                            | 1                   | -                  |
| Lease modification gains                                                                             | (1,194)             | -                  |
| Other losses                                                                                         | 25,684              | 44,700             |
| Other revenue                                                                                        | -                   | (2,660)            |
| Effect of exchange rate changes on short-term and long-term borrowings                               | (41,683)            | -                  |
| <b>Total adjustments to reconcile profit</b>                                                         | <b>1,279,561</b>    | <b>1,297,015</b>   |
| <b>Changes in operating assets and liabilities:</b>                                                  |                     |                    |
| <b>Changes in operating assets:</b>                                                                  |                     |                    |
| Current financial assets at fair value through profit or loss                                        | -                   | (47,952)           |
| Notes and accounts receivable, net                                                                   | 156,526             | 268,654            |
| Accounts receivable due from related parties, net                                                    | (44,674)            | 320,599            |
| Other receivables                                                                                    | (233,198)           | 14,829             |
| Inventories                                                                                          | (463,794)           | (2,751,409)        |
| Prepayments                                                                                          | 19,095              | (26,038)           |
| Other current assets                                                                                 | (38,463)            | (45,015)           |
| Other financial assets                                                                               | (259,213)           | (365,778)          |
| Incremental costs of obtaining contracts                                                             | (66,937)            | (49,902)           |
| <b>Total changes in operating assets</b>                                                             | <b>(930,658)</b>    | <b>(2,682,012)</b> |
| <b>Changes in operating liabilities:</b>                                                             |                     |                    |
| Notes and accounts payable (including related parties), net                                          | 60,627              | (107,415)          |
| Other payables                                                                                       | 762,595             | (201,544)          |
| Current contract liabilities                                                                         | 1,103,780           | 833,854            |
| Other current liabilities                                                                            | (38,411)            | (29,235)           |
| Other non-current liabilities                                                                        | (1,247)             | -                  |
| <b>Total changes in operating liabilities</b>                                                        | <b>1,887,344</b>    | <b>495,660</b>     |
| <b>Total changes in operating assets and liabilities</b>                                             | <b>956,686</b>      | <b>(2,186,352)</b> |
| <b>Total adjustments</b>                                                                             | <b>2,236,247</b>    | <b>(889,337)</b>   |
| Cash inflow (outflow) generated from operations                                                      | 3,203,811           | (1,303)            |
| Interest received                                                                                    | 32,305              | 44,509             |
| Dividends received                                                                                   | 30,216              | 28,240             |
| Interest paid                                                                                        | (332,151)           | (315,059)          |
| Income taxes paid                                                                                    | (244,528)           | (162,299)          |
| <b>Net cash flows generated (used in) from operating activities</b>                                  | <b>2,689,653</b>    | <b>(405,912)</b>   |
| <b>Cash flows from investing activities:</b>                                                         |                     |                    |
| Acquisition of financial assets at fair value through other comprehensive income                     | (11,067)            | -                  |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 21,241              | 9,614              |
| Acquisition of investments accounted for using equity method                                         | -                   | (20,843)           |
| Acquisition of property, plant and equipment                                                         | (1,250,701)         | (846,088)          |
| Proceeds from disposal of property, plant and equipment                                              | 9,426               | 18,988             |
| Acquisition of intangible assets                                                                     | (556)               | (3,212)            |
| Acquisition of investment properties                                                                 | (101)               | -                  |
| (Increase) decrease in other financial assets                                                        | (227,603)           | 45,441             |
| Increase in other non-current assets                                                                 | (72,399)            | (542,839)          |
| <b>Net cash flows used in investing activities</b>                                                   | <b>(1,531,760)</b>  | <b>(1,338,939)</b> |
| <b>Cash flows from financing activities:</b>                                                         |                     |                    |
| Increase in short-term borrowings                                                                    | 8,245,563           | 5,799,840          |
| Decrease in short-term borrowings                                                                    | (8,633,869)         | (4,216,132)        |
| Increase (decrease) in short-term notes and bills payable                                            | 219,847             | (224,734)          |
| Proceeds from long-term borrowings                                                                   | 5,294,001           | 7,753,647          |
| Repayments of long-term borrowings                                                                   | (4,875,340)         | (5,829,982)        |
| Payment of lease liabilities                                                                         | (189,357)           | (190,129)          |
| Increase in other non-current liabilities                                                            | 2,822               | 1,229              |
| Cash dividends paid                                                                                  | (346,727)           | (1,040,181)        |
| Payment of treasury share                                                                            | (257,223)           | -                  |
| Cash dividends paid to non-controlling interests                                                     | (138,930)           | (424,901)          |
| Changes in non-controlling interests                                                                 | 976                 | (10,958)           |
| <b>Net cash flows (used in) generated from financing activities</b>                                  | <b>(678,237)</b>    | <b>1,617,699</b>   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                  | <b>33,602</b>       | <b>(68,991)</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                          | <b>513,258</b>      | <b>(196,143)</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b>                                        | <b>3,700,547</b>    | <b>3,896,690</b>   |
| <b>Cash and cash equivalents at the end of the year</b>                                              | <b>\$ 4,213,805</b> | <b>3,700,547</b>   |

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the Years Ended For the Years Ended December 31, 2020 and 2019**

**(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, Taipei. The major business activities of the Company and its subsidiaries (the “Group”) are iron hardware manufacturing and casting, residents and commercial buildings developing, leasing and selling, international hotel servicing and department store retailing. Please refer to Note 14, for the aforementioned information.

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2021.

**(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 details of impact on the Group’s adoption of the new amendments beginning January 1, 2020 are as follows:

(i) Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

Amendments to IFRS 16 “COVID-19-Related Rent Concessions” As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(m).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$40 thousand.

(ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group’s consolidated financial statements:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”

(Continued)

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

**(4) Summary of significant accounting policies**

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

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

(a) Statement of compliance

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

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) 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(s).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

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

(Continued)



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

(ii) List of subsidiaries in the consolidated financial statements

| Investor                               | Name of Subsidiary                                                | Principal Activity                                                                                                          | Percentage Ownership |                   | Note   |
|----------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|--------|
|                                        |                                                                   |                                                                                                                             | December 31, 2020    | December 31, 2019 |        |
| The Company                            | United Elite Agents Limited (UEA)                                 | Investing                                                                                                                   | 100.00 %             | 100.00 %          |        |
| The Company and Sunflower Investment   | Atrans Precision Industries Co., Ltd. (Atrans Precision)          | Vehicle parts processing                                                                                                    | 85.51 %              | 83.74 %           |        |
| The Company                            | Sunflower Investment Co., Ltd. (Sunflower Investment)             | Investing                                                                                                                   | 99.00 %              | 99.00 %           |        |
| The Company                            | The Hotel National Co., Ltd. (The Hotel National)                 | International tourist hotel services and other hotel business approved by the Ministry of Transportation and Communications | 100.00 %             | 100.00 %          |        |
| The Company                            | CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (CMAI)             | Vehicle parts retailing                                                                                                     | 94.00 %              | 94.00 %           |        |
| The Company                            | CMJ CO., LTD. (CMJ) (Note 1)                                      | Cast iron product retailing                                                                                                 | 83.33 %              | 83.33 %           |        |
| The Company                            | National Management Co., Ltd. (National Management)               | Management and consulting services                                                                                          | 100.00 %             | 100.00 %          |        |
| The Company and Sunflower Investment   | PUJEN Land Development Co., Ltd. (PUJEN Land Development)         | Residents, commercial buildings and factories leasing and developing                                                        | 71.72 %              | 71.72 %           |        |
| The Company and PUJEN Land Development | Pu Sheng Construction Co., Ltd. (Pu Sheng Construction)           | Residents, commercial buildings and factories leasing and developing                                                        | 50.00 %              | 50.00 %           |        |
| The Company and PUJEN Land Development | Shangrila Tourism Co., Ltd. (Shangrila Tourism)                   | Amusement park and hotel services                                                                                           | 100.00 %             | 100.00 %          |        |
| The Company                            | InterContinental Taichung Co., Ltd. (InterContinental Taichung)   | International tourist hotel services                                                                                        | 100.00 %             | - %               | Note 2 |
| The Company                            | Calligraphy Greenway Plaza Co., Ltd. (Calligraphy Greenway Plaza) | Management and consulting services                                                                                          | 100.00 %             | - %               | Note 3 |
| UEA                                    | China Metal International Holdings Inc. (CMI)                     | Investing and cast iron product retailing                                                                                   | 82.55 %              | 82.55 %           |        |
| CMI                                    | China Metal International (BVI) Limited (CMI (BVI))               | Investing                                                                                                                   | 100.00 %             | 100.00 %          |        |
| CMI                                    | CMW (Cayman Islands) Co., Ltd. (CMW (C.I.))                       | Investing                                                                                                                   | 100.00 %             | 100.00 %          |        |
| CMI                                    | CMB (H.K.) Co., Ltd. (CMB (H.K.))                                 | Investing                                                                                                                   | 100.00 %             | 100.00 %          |        |
| CMB (H.K.)                             | Suzhou CMB Machinery Co., Ltd. (Suzhou CMB)                       | Cast iron product designing, manufacturing and retailing                                                                    | 100.00 %             | 100.00 %          |        |
| CMI (BVI)                              | CMP (H.K.) Industry Co., Ltd. (CMP (H.K.))                        | Investing                                                                                                                   | 100.00 %             | 100.00 %          |        |
| CMP (H.K.)                             | Tianjin CMT Industry Co., Ltd. (Tianjin CMT)                      | Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling                        | 100.00 %             | 100.00 %          |        |
| CMP (H.K.)                             | Suzhou CMS Machinery Co., Ltd. (Suzhou CMS)                       | Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling                                    | 100.00 %             | 100.00 %          |        |

(Continued)



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

| Investor               | Name of Subsidiary                                                            | Principal Activity                                                                                                                                                               | Percentage Ownership |                   | Note   |
|------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|--------|
|                        |                                                                               |                                                                                                                                                                                  | December 31, 2020    | December 31, 2019 |        |
| CMW (C.I.)             | CMW (Tianjin) Industry Co., Ltd. (CMW (Tianjin))                              | Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling                                                                                         | 100.00 %             | 100.00 %          |        |
| CMW (C.I.)             | CMI (Wu Han) Precision Machinery Co., Ltd. (CMH)                              | Vehicle parts, farm wagon parts, industrial wagon parts, household appliances parts and E&M as-casting and molds developing, manufacturing, selling and the after sales services | 100.00 %             | 100.00 %          |        |
| CMJ                    | Qingdao Sourcing Specialists Trading Co., Ltd. (Qingdao Sourcing Specialists) | Cast iron product retailing                                                                                                                                                      | 100.00 %             | 100.00 %          |        |
| Atrans Precision       | FAR HSING (SAMOA) ENTERPRISE CO., LTD. (FAR HSING (SAMOA))                    | Investing                                                                                                                                                                        | 100.00 %             | 100.00 %          |        |
| PUJEN Land Development | CHINGENG Land Development Co., Ltd. (CHINGENG Land Development)               | Residents, commercial buildings and factories leasing and developing                                                                                                             | 50.00 %              | 50.00 %           |        |
| PUJEN Land Development | PUJEN CHENGMEI Land Development Co., Ltd. (PUJEN CHENGMEI Land Development)   | Residents, commercial buildings and factories leasing and developing                                                                                                             | 70.00 %              | 70.00 %           |        |
| PUJEN Land Development | PUCHIA Land Development Co., Ltd. (PUCHIA Land Development)                   | Residents, commercial buildings and factories leasing and developing                                                                                                             | 50.00 %              | 50.00 %           |        |
| CMAI                   | Qinxin Trade Co., Ltd. (Qinxin Trade)                                         | Vehicle parts retailing                                                                                                                                                          | - %                  | 100.00 %          | Note 4 |
| CMAI                   | CMAI Holding, Inc. (CMAI Holding)                                             | Investing                                                                                                                                                                        | 100.00 %             | 100.00 %          |        |
| CMAI Holding           | Pilot Drive LLC (Pilot)                                                       | Assets leasing                                                                                                                                                                   | 100.00 %             | 100.00 %          |        |
| Pilot                  | CMAI INDUSTRIES INC (CMAI N.A.)                                               | Vehicle parts retailing                                                                                                                                                          | 100.00 %             | 100.00 %          |        |

Note 1: The former name was “CHINA METAL JAPAN COMPANY LIMITED”.

Note 2: Set up in the 1<sup>st</sup> quarter of 2020.

Note 3: Set up in the 4<sup>th</sup> quarter of 2020.

Note 4: The cancellation of business registration of Qinxin Trade have been completed on June 22, 2020. The proceeds from the cancellation of shares have remitted on December 31, 2020.

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

(d) Foreign currencies

(i) Foreign currency transactions

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

(ii) Foreign operations

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

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

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

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

The major business activities are iron hardware manufacturing and casting, residents and commercial buildings developing, leasing and selling, international hotel servicing and department store retailing. Except for the developing, leasing and selling residents and commercial building business, which the operating cycle is over one year and the regarding accounts are classified by its operating cycle, the entity shall classify an asset as current when:

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

(Continued)

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

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

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

(f) Cash and cash equivalents

Cash 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.

(g) 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 Group 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 Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 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 Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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 Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

#### 3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

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

4) Impairment of financial assets

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

The Group 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 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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

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

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

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

- Significant financial difficulty of the borrower or issuer;

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. For corporate customers, the Group 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 Group 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 Group's procedures for recovery of amounts due.

#### 5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership, or in which the Group 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 Group 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 Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

##### 2) Equity instrument

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

7) Financial guarantee contract

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

(Continued)



## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### (h) Inventories

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

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

#### (i) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group 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 Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group'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 Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)



## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

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

#### (j) Joint Arrangements

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

- (i) The participants are bound by a contractual arrangement; and
- (ii) The contractual arrangement gives two or more of the parties joint control of the arrangement.

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

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint ventures) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group 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 Group qualifies for exemption from that Standard. Please refer to Note 4(i) for the application of the equity method.

(Continued)

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

When assessing the classification of a joint arrangement, the Group 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 Group reevaluates whether the classification of the joint arrangement has changed.

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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 Group.

(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.

(Continued)

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

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

- |                               |            |
|-------------------------------|------------|
| 1) Buildings                  | 2~60 years |
| 2) Machinery                  | 3~20 years |
| 3) Transportation equipment   | 3~10 years |
| 4) Office and other equipment | 2~25 years |
| 5) Leasehold improvement      | 1~39 years |

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

(iv) Reclassification to investment property

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

(m) Leases

(i) Identifying a lease

At inception of a contract, the Group 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 Group 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. The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
  - the customer has the right to operate the asset; 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

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(ii) As a lessee

The Group 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 Group's incremental borrowing rate. Generally, the Group 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 Group'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

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 Group 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 Group 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 Group 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group 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 Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group will continue to recognize the transferred asset and shall recognize the financial liability equal to the transfer proceeds.

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

- 1) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on, or before, June 30, 2021; and
- 4) there is no substantive change to other terms and conditions of the lease.

(Continued)

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

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

(iii) As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 Group 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 Group 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 Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as rental revenue.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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 |
| 2) Customer relationship | 10 years   |
| 3) Patent                | 8~9 years  |

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

(o) Impairment of nonfinancial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets 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.

(Continued)



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

(p) Provisions

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

(q) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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

2) Land development and sale of real estate

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

(Continued)



## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### 3) Customer loyalty program

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

#### 4) Financing components

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

#### (ii) Contract costs

##### 1) Incremental costs of obtaining a contract

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

(Continued)

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

2) Costs to fulfil a contract

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

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

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

(r) Government grants and government assistance

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(s) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group'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.

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 Group, 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 Group 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 Group 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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (t) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (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;

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

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

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

(v) Earnings per share

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

(w) Operating segments

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

(Continued)

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

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

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

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

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

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

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

**(a) The loss allowance of accounts receivable**

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

**(b) Inventory valuation**

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

(Continued)

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

(c) Impairment of goodwill

The assessment of impairment of goodwill is based on the estimated growth rate, gross profit margin and income under cash basis, which requires the Group's management to determine the valuation method, major assumption and to calculate the equity value. In addition, impairment of goodwill depends on the Group to make subjective judgments which involves highly estimation uncertainty. Please refer to Note 6(k) for the impairment of goodwill.

(d) Recognition and measurement of provisions and contingent liabilities

Provision for unsettled litigation and claims is recognized when it is probable that it will result in an outflow of the Group's resources and the amount can be reasonably estimated. Since the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability. Please refer to Note 6(p) for further description of provisions and contingent liabilities.

(e) Measurement of defined benefit obligations

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

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

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

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

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

(i) Note 6(z), Financial instruments

(Continued)



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

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

|                           | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------|------------------------------|------------------------------|
| Cash on hand              | \$ 6,673                     | 8,361                        |
| Cash in banks             | 2,680,248                    | 2,164,951                    |
| Time deposits             | 1,526,884                    | 1,527,235                    |
| Cash and cash equivalents | <b>\$ 4,213,805</b>          | <b>3,700,547</b>             |

Please refer to Note 6(z) for the sensitivity analysis of the financial assets.

(b) Financial assets at fair value through profit or loss

|                                                       | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-------------------------------------------------------|------------------------------|------------------------------|
| Financial assets at fair value through profit or loss |                              |                              |
| Stocks listed on domestic markets                     | <b>\$ -</b>                  | <b>51,440</b>                |

(i) The Group holds financial assets designated as at FVTPL, which recognizes gain or loss on valuation of financial assets. Please refer to Note 6(y) for the recognized gains or losses.

(ii) Please refer to Note 6(z) for the risks of financial instruments.

(iii) As of December 31, 2020 and 2019, the financial assets were not pledged as collateral.

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

|                                                                           | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------------------------------------------------------|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income       |                              |                              |
| Stocks listed on domestic markets—Yung Tay Engineering Co., Ltd.          | \$ 62,763                    | -                            |
| Stocks unlisted on domestic markets—MEITA Industrial Co., Ltd.            | 135,300                      | 135,300                      |
| Stocks unlisted on domestic markets—YUHUA Venture Capital Co., Ltd.       | 435                          | 830                          |
| Stocks unlisted on domestic markets—FUHUA Venture Capital Co., Ltd.       | 1,574                        | 1,920                        |
| Stocks unlisted on domestic markets—GUANGYUAN Investment Co., Ltd.        | 31,580                       | 44,080                       |
| Stocks unlisted on domestic markets—DEVELOPMENT Venture Capital Co., Ltd. | 25,935                       | 33,935                       |
| Total                                                                     | <b>\$ 257,587</b>            | <b>216,065</b>               |

(Continued)



## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (i) The Group holds the equity investments for long-term strategic purposes, rather than transaction purposes. Therefore, the investments are measured at FVOCI.
- (ii) For the years ended December 31, 2020 and 2019, the Group received dividend income amounting to \$30,167 thousand and \$28,196 thousand, respectively, from the above investments measured at FVOCI.
- (iii) The Group did not dispose the strategic investments during 2020 and 2019. Therefore, the accumulated income and loss was not transferred in equity.
- (iv) Please refer to Note 6(z) for the information on credit risk (including the impairment of debt instrument investments) and market risk.
- (v) As of December 31, 2020 and 2019, the financial assets were not pledged as collateral.
- (d) Notes and accounts receivable

|                                                | <b>December 31,<br/>2020</b> | <b>December<br/>31, 2019</b> |
|------------------------------------------------|------------------------------|------------------------------|
| Notes receivable from operating activities     | \$ 455,795                   | 425,013                      |
| Accounts receivable measured as amortized cost | 3,365,435                    | 3,504,541                    |
| Subtotal                                       | 3,821,230                    | 3,929,554                    |
| Less: Loss allowance                           | 3,120                        | 26,005                       |
| Total                                          | <b>\$ 3,818,110</b>          | <b>3,903,549</b>             |

The Group applies the simplified approach to estimate its 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 macroeconomics and relative industries information. The loss allowance provision is determined as follows:

|                             | <b>December 31, 2020</b>         |                                           |                                     |
|-----------------------------|----------------------------------|-------------------------------------------|-------------------------------------|
|                             | <b>Gross Carrying<br/>Amount</b> | <b>Weighted<br/>Average<br/>Loss Rate</b> | <b>Loss Allowance<br/>Provision</b> |
| Current                     | \$ 3,675,883                     | 0%                                        | -                                   |
| 1 to 30 days past due       | 87,468                           | 0%                                        | -                                   |
| 31 to 90 days past due      | 55,840                           | 0%~3.3%                                   | 1,824                               |
| 91 to 120 days past due     | 490                              | 0%~10.54%                                 | 49                                  |
| 121 days to a year past due | 431                              | 25.08%~32.97%                             | 129                                 |
| Over a year past due        | 1,118                            | 100%                                      | 1,118                               |
|                             | <b>\$ 3,821,230</b>              |                                           | <b>3,120</b>                        |

(Continued)

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

|                             | <b>December 31, 2019</b>         |                                           |                                     |
|-----------------------------|----------------------------------|-------------------------------------------|-------------------------------------|
|                             | <b>Gross Carrying<br/>Amount</b> | <b>Weighted<br/>Average<br/>Loss Rate</b> | <b>Loss Allowance<br/>Provision</b> |
| Current                     | \$ 3,720,432                     | 0%                                        | -                                   |
| 1 to 30 days past due       | 137,451                          | 0%                                        | -                                   |
| 31 to 90 days past due      | 17,700                           | 0%                                        | -                                   |
| 91 to 120 days past due     | 5,770                            | 0%~8.87%                                  | 310                                 |
| 121 days to a year past due | 40,459                           | 17.13%~52.79%                             | 17,953                              |
| Over a year past due        | <u>7,742</u>                     | 100%                                      | <u>7,742</u>                        |
|                             | <b><u>\$ 3,929,554</u></b>       |                                           | <b><u>26,005</u></b>                |

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

|                                         | <b>For the Years Ended December 31</b> |                      |
|-----------------------------------------|----------------------------------------|----------------------|
|                                         | <b>2020</b>                            | <b>2019</b>          |
| Balance on January 1                    | \$ 26,005                              | 21,874               |
| Impairment (recovery) losses recognized | (22,741)                               | 4,884                |
| Amounts written off                     | (6)                                    | (90)                 |
| Foreign exchange losses                 | <u>(138)</u>                           | <u>(663)</u>         |
| Balance on December 31                  | <b><u>\$ 3,120</u></b>                 | <b><u>26,005</u></b> |

The financial assets mentioned above were not pledged as collateral.

(e) Inventories

|                                   | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-----------------------------------|------------------------------|------------------------------|
| Raw materials                     | \$ 122,981                   | 129,856                      |
| Work in process                   | 211,745                      | 272,337                      |
| Semi-finished goods               | 103,020                      | 144,254                      |
| Finished goods                    | 884,993                      | 876,524                      |
| Merchandise                       | 59,948                       | 69,151                       |
| Land held for development         | 5,998,833                    | 6,032,491                    |
| Properties and land held for sale | 2,234,588                    | 3,798,608                    |
| Construction-in-progress          | 8,116,786                    | 5,906,061                    |
| Prepayments for land              | 166,995                      | 121,228                      |
| Other inventories                 | <u>316,400</u>               | <u>336,297</u>               |
|                                   | <b><u>\$ 18,216,289</u></b>  | <b><u>17,686,807</u></b>     |

(Continued)

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

For the years ended December 31, 2020 and 2019, the cost of goods sold amounted to \$9,827,107 thousand and \$10,526,020 thousand, respectively. For the years ended December 31, 2020 and 2019, the reversal gain (loss for inventory obsolescence) from the increase (decrease) in inventories' net realizable value amounted to \$1,100 thousand and \$(493) thousand, respectively.

For the information on inventories pledged as collateral, as of December 31, 2020 and 2019, please refer to Note 8.

(f) Investments accounted for using equity method

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

|                | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------|------------------------------|------------------------------|
| Associates     | \$ 452,283                   | 472,260                      |
| Joint ventures | 295,983                      | 380,813                      |
|                | <b><u>\$ 748,266</u></b>     | <b><u>853,073</u></b>        |

(i) Associates

Due to the fact that the Group does not have the obligation of assuming the excess losses, it ceased the recognition of the losses from the investment of Amida Trustlink Assets Management Co., Ltd. (Amida Trustlink Assets). For the years ended December 31, 2020 and 2019, the unrealized investment losses amounted to \$362 thousand and \$314 thousand, respectively; the accumulated unrealized investment losses, as of December 31, 2020 and 2019, amounted to \$57,409 thousand and \$57,047 thousand, respectively.

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

|                                                                  | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|------------------------------------------------------------------|------------------------------|------------------------------|
| Carrying amount of individually insignificant associates' equity | <b><u>\$ 452,283</u></b>     | <b><u>472,260</u></b>        |

|                            | <b>For the Years Ended December 31<br/>2020</b> | <b>2019</b>           |
|----------------------------|-------------------------------------------------|-----------------------|
| Attributable to the Group: |                                                 |                       |
| Net loss                   | (24,367)                                        | (1,179)               |
| Other comprehensive income | -                                               | -                     |
| Comprehensive income       | <b><u>(24,367)</u></b>                          | <b><u>(1,179)</u></b> |

(Continued)

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

(ii) Joint ventures

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

|                                                                      | <b>December 31,<br/>2020</b>           | <b>December 31,<br/>2019</b> |
|----------------------------------------------------------------------|----------------------------------------|------------------------------|
| Carrying amount of individually insignificant joint ventures' equity | <b>\$ 295,983</b>                      | <b>380,813</b>               |
|                                                                      | <b>For the Years Ended December 31</b> |                              |
|                                                                      | <b>2020</b>                            | <b>2019</b>                  |
| Attributable to the Group:                                           |                                        |                              |
| Net loss                                                             | (86,699)                               | (26,589)                     |
| Other comprehensive income                                           | -                                      | -                            |
| Comprehensive income                                                 | <b>(86,699)</b>                        | <b>(26,589)</b>              |

(iii) Pledge to secure

As of December 31, 2020 and 2019, the investments accounted for using equity method were not pledged as collateral.

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

(i) Acquisition of additional shares interests of subsidiary

The Group obtained Atrans Precision additional equity on \$10,438 thousand and \$958 thousand, increasing the percentage ownership from 83.74% to 85.51% and 83.58% to 83.74%.

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

|                                          | <b>For the Years Ended December 31</b> |                         |
|------------------------------------------|----------------------------------------|-------------------------|
|                                          | <b>2020</b>                            | <b>2019</b>             |
|                                          | <b>Atrans Precision</b>                | <b>Atrans Precision</b> |
| Acquisition of non-controlling interests | \$ 9,302                               | 913                     |
| Payment to non-controlling interests     | (10,438)                               | (958)                   |
| Capital surplus                          | <b>\$ (1,136)</b>                      | <b>(45)</b>             |

The capital surplus resulting from changes in ownership is not sufficient as of December 31, 2020 and 2019, the remaining difference was debited to retained earnings.

(Continued)

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

(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plant equipment of the Group for the years ended December 31, 2020 and 2019 are as follows:

|                                               | Land                | Buildings        | Machinery        | Office Equipment | Transportation Equipment | Leasehold Improvement | Other Equipment | Prepayments for Equipment and Construction in Progress | Total             |
|-----------------------------------------------|---------------------|------------------|------------------|------------------|--------------------------|-----------------------|-----------------|--------------------------------------------------------|-------------------|
| Cost:                                         |                     |                  |                  |                  |                          |                       |                 |                                                        |                   |
| Balance on January 1, 2020                    | \$ 3,106,656        | 3,361,551        | 9,176,092        | 122,759          | 56,945                   | 199,768               | 849,881         | 543,517                                                | 17,417,169        |
| Additions                                     | 53,725              | 870              | 97,333           | 9,768            | 1,247                    | 20,792                | 12,405          | 1,054,561                                              | 1,250,701         |
| Disposals                                     | -                   | (6,642)          | (432,232)        | (27,842)         | (6,318)                  | (58,357)              | (118,157)       | -                                                      | (649,548)         |
| Reclassification                              | (41,736)            | 55,892           | 457,129          | 5,455            | 800                      | 4,104                 | (48,926)        | (418,741)                                              | 13,977            |
| Influence from exchange rates                 | (409)               | 33,909           | 135,013          | 624              | 515                      | 1,896                 | 5,044           | 22,740                                                 | 199,332           |
| Balance on December 31, 2020                  | <u>\$ 3,118,236</u> | <u>3,445,580</u> | <u>9,433,335</u> | <u>110,764</u>   | <u>53,189</u>            | <u>168,203</u>        | <u>700,247</u>  | <u>1,202,077</u>                                       | <u>18,231,631</u> |
| Balance on January 1, 2019                    | \$ 3,748,835        | 3,456,414        | 8,897,490        | 112,871          | 64,673                   | 175,896               | 843,898         | 362,328                                                | 17,662,405        |
| Additions                                     | -                   | 3,262            | 154,322          | 9,586            | 923                      | 28,475                | 26,178          | 624,817                                                | 847,563           |
| Disposals                                     | -                   | (10,404)         | (222,743)        | (6,493)          | (9,675)                  | (10,599)              | (22,855)        | -                                                      | (282,769)         |
| Reclassification                              | (641,978)           | (3,190)          | 639,493          | 8,860            | 2,299                    | 13,286                | 16,930          | (426,739)                                              | (391,039)         |
| Influence from exchange rates                 | (201)               | (84,531)         | (292,470)        | (2,065)          | (1,275)                  | (7,290)               | (14,270)        | (16,889)                                               | (418,991)         |
| Balance on December 31, 2019                  | <u>\$ 3,106,656</u> | <u>3,361,551</u> | <u>9,176,092</u> | <u>122,759</u>   | <u>56,945</u>            | <u>199,768</u>        | <u>849,881</u>  | <u>543,517</u>                                         | <u>17,417,169</u> |
| Accumulated depreciation and impairment loss: |                     |                  |                  |                  |                          |                       |                 |                                                        |                   |
| Balance on January 1, 2020                    | \$ -                | 1,327,569        | 5,674,431        | 96,102           | 45,102                   | 108,067               | 575,939         | -                                                      | 7,827,210         |
| Depreciation                                  | -                   | 100,051          | 510,810          | 12,365           | 3,438                    | 41,159                | 67,967          | -                                                      | 735,790           |
| Disposals                                     | -                   | (6,542)          | (391,261)        | (25,290)         | (5,638)                  | (58,357)              | (113,440)       | -                                                      | (600,528)         |
| Reclassification                              | -                   | 13,312           | 719              | (72)             | -                        | -                     | (16,739)        | -                                                      | (2,780)           |
| Influence from exchange rates                 | -                   | 14,282           | 86,767           | 472              | 415                      | 1,127                 | 4,313           | -                                                      | 107,376           |
| Balance on December 31, 2020                  | <u>\$ -</u>         | <u>1,448,672</u> | <u>5,881,466</u> | <u>83,577</u>    | <u>43,317</u>            | <u>91,996</u>         | <u>518,040</u>  | <u>-</u>                                               | <u>8,067,068</u>  |
| Balance on January 1, 2019                    | \$ -                | 1,268,502        | 5,376,957        | 82,927           | 49,251                   | 70,864                | 533,493         | -                                                      | 7,381,994         |
| Depreciation                                  | -                   | 106,512          | 532,684          | 14,252           | 5,835                    | 51,761                | 74,972          | -                                                      | 786,016           |
| Impairment loss                               | -                   | -                | 447              | -                | -                        | -                     | -               | -                                                      | 447               |
| Disposals                                     | -                   | (10,244)         | (201,349)        | (6,294)          | (8,938)                  | (10,599)              | (20,994)        | -                                                      | (258,418)         |
| Reclassification                              | -                   | (7,952)          | 147,662          | 6,944            | (17)                     | -                     | (2,099)         | -                                                      | 144,538           |
| Influence from exchange rates                 | -                   | (29,249)         | (181,970)        | (1,727)          | (1,029)                  | (3,959)               | (9,433)         | -                                                      | (227,367)         |
| Balance on December 31, 2019                  | <u>\$ -</u>         | <u>1,327,569</u> | <u>5,674,431</u> | <u>96,102</u>    | <u>45,102</u>            | <u>108,067</u>        | <u>575,939</u>  | <u>-</u>                                               | <u>7,827,210</u>  |
| Carrying value:                               |                     |                  |                  |                  |                          |                       |                 |                                                        |                   |
| Balance on December 31, 2020                  | <u>\$ 3,118,236</u> | <u>1,996,908</u> | <u>3,551,869</u> | <u>27,187</u>    | <u>9,872</u>             | <u>76,207</u>         | <u>182,207</u>  | <u>1,202,077</u>                                       | <u>10,164,563</u> |
| Balance on January 1, 2019                    | <u>\$ 3,748,835</u> | <u>2,187,912</u> | <u>3,520,533</u> | <u>29,944</u>    | <u>15,422</u>            | <u>105,032</u>        | <u>310,405</u>  | <u>362,328</u>                                         | <u>10,280,411</u> |
| Balance on December 31, 2019                  | <u>\$ 3,106,656</u> | <u>2,033,982</u> | <u>3,501,661</u> | <u>26,657</u>    | <u>11,843</u>            | <u>91,701</u>         | <u>273,942</u>  | <u>543,517</u>                                         | <u>9,589,959</u>  |

(i) As of December 31, 2020 and 2019, please refer to Note 8 for the details of property, plant and equipment pledged as collateral for the Group's long-term loan and financing guarantee.

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

(Continued)

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

|      | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|------|------------------------------|------------------------------|
| Land | <b>\$ 44,299</b>             | <b>44,299</b>                |

(i) Right-of-use assets

The cost and accumulated depreciation of the right-of-use assets, which includes land, property and transportation rented by the Group, for the years ended December 31, 2020 and 2019 are as follows:

|                                               | <b>Land</b>         | <b>Buildings</b> | <b>Machinery</b> | <b>Transportation<br/>Equipment</b> | <b>Office<br/>Equipment</b> | <b>Other<br/>Equipment</b> | <b>Total</b>     |
|-----------------------------------------------|---------------------|------------------|------------------|-------------------------------------|-----------------------------|----------------------------|------------------|
| Cost:                                         |                     |                  |                  |                                     |                             |                            |                  |
| Balance on January 1, 2020                    | \$ 1,002,435        | 2,397,748        | 54,032           | 25,475                              | 2,240                       | 122,607                    | 3,604,537        |
| Additions                                     | -                   | 895              | 7,411            | 1,433                               | 677                         | 259                        | 10,675           |
| Reduction for expiration                      | -                   | (3,963)          | (13,819)         | (9,550)                             | (660)                       | (604)                      | (28,596)         |
| Influence from exchange rates                 | 5,453               | (7)              | 571              | (40)                                | (29)                        | -                          | 5,948            |
| Balance on December 31, 2020                  | <b>\$ 1,007,888</b> | <b>2,394,673</b> | <b>48,195</b>    | <b>17,318</b>                       | <b>2,228</b>                | <b>122,262</b>             | <b>3,592,564</b> |
| Balance on January 1, 2019                    | \$ 1,017,511        | 2,394,192        | 58,966           | 22,155                              | 1,658                       | 122,607                    | 3,617,089        |
| Additions                                     | -                   | 2,749            | -                | 2,272                               | 72                          | -                          | 5,093            |
| Reclassification                              | 3,192               | (672)            | (3,192)          | 93                                  | 579                         | -                          | -                |
| Reduction for expiration                      | (5,822)             | -                | -                | -                                   | (48)                        | -                          | (5,870)          |
| Influence from exchange rates                 | (12,446)            | 1,479            | (1,742)          | 955                                 | (21)                        | -                          | (11,775)         |
| Balance on December 31, 2019                  | <b>\$ 1,002,435</b> | <b>2,397,748</b> | <b>54,032</b>    | <b>25,475</b>                       | <b>2,240</b>                | <b>122,607</b>             | <b>3,604,537</b> |
| Accumulated depreciation and impairment loss: |                     |                  |                  |                                     |                             |                            |                  |
| Balance at January 1, 2020                    | \$ 130,437          | 999,972          | 24,730           | 15,221                              | 1,022                       | 10,997                     | 1,182,379        |
| Depreciation                                  | 23,342              | 161,095          | 13,141           | 6,532                               | 519                         | 3,533                      | 208,162          |
| Transferred to construction cost              | -                   | 867              | -                | -                                   | -                           | -                          | 867              |
| Reduction for expiration                      | -                   | (3,588)          | (9,167)          | (9,550)                             | (405)                       | (413)                      | (23,123)         |
| Influence from exchange rates                 | 1,395               | (4)              | 415              | (32)                                | (14)                        | -                          | 1,760            |
| Balance on December 31, 2020                  | <b>\$ 155,174</b>   | <b>1,158,342</b> | <b>29,119</b>    | <b>12,171</b>                       | <b>1,122</b>                | <b>14,117</b>              | <b>1,370,045</b> |
| Balance on January 1, 2019                    | \$ 115,406          | 837,173          | 9,813            | 6,670                               | 421                         | 7,476                      | 976,959          |
| Depreciation                                  | 23,681              | 161,795          | 15,733           | 8,382                               | 579                         | 3,521                      | 213,691          |
| Transferred to construction cost              | -                   | 833              | -                | -                                   | -                           | -                          | 833              |
| Reclassification                              | -                   | (77)             | -                | -                                   | 77                          | -                          | -                |
| Reduction for expiration                      | (5,822)             | -                | -                | -                                   | (48)                        | -                          | (5,870)          |
| Influence from exchange rates                 | (2,828)             | 248              | (816)            | 169                                 | (7)                         | -                          | (3,234)          |
| Balance on December 31, 2019                  | <b>\$ 130,437</b>   | <b>999,972</b>   | <b>24,730</b>    | <b>15,221</b>                       | <b>1,022</b>                | <b>10,997</b>              | <b>1,182,379</b> |
| Carrying value:                               |                     |                  |                  |                                     |                             |                            |                  |
| Balance on December 31, 2020                  | <b>\$ 852,714</b>   | <b>1,236,331</b> | <b>19,076</b>    | <b>5,147</b>                        | <b>1,106</b>                | <b>108,145</b>             | <b>2,222,519</b> |
| Balance on December 31, 2019                  | <b>\$ 871,998</b>   | <b>1,397,776</b> | <b>29,302</b>    | <b>10,254</b>                       | <b>1,218</b>                | <b>111,610</b>             | <b>2,422,158</b> |

(j) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 5 to 10 years. Some leases provide the lessees with options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts, but some leases require the lessee to reimburse the insurance costs of the Group. When this is the case, the amounts of insurance costs are determined annually.

(Continued)

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

The movements in the investment property is as follows:

|                                                     | <b>Owned Property</b> |                  |                     |
|-----------------------------------------------------|-----------------------|------------------|---------------------|
|                                                     | <b>Land</b>           | <b>Buildings</b> | <b>Total</b>        |
| Cost:                                               |                       |                  |                     |
| Balance on January 1, 2020                          | \$ 545,783            | 136,859          | 682,642             |
| Additions                                           | 9                     | 92               | 101                 |
| Reclassification from property, plant and equipment | 41,736                | 4,259            | 45,995              |
| Reclassification from inventories                   | 6,169                 | 7,618            | 13,787              |
| Balance on December 31, 2020                        | <u>\$ 593,697</u>     | <u>148,828</u>   | <u>742,525</u>      |
| Balance on January 1, 2019                          | \$ 528,019            | 113,617          | 641,636             |
| Reclassification from inventories                   | 17,764                | 23,242           | 41,006              |
| Balance on December 31, 2019                        | <u>\$ 545,783</u>     | <u>136,859</u>   | <u>682,642</u>      |
| Depreciation and impairment loss:                   |                       |                  |                     |
| Balance on January 1, 2020                          | \$ -                  | 43,069           | 43,069              |
| Depreciation                                        | -                     | 5,632            | 5,632               |
| Reclassification from property, plant and equipment | -                     | 2,668            | 2,668               |
| Balance on December 31, 2020                        | <u>\$ -</u>           | <u>51,369</u>    | <u>51,369</u>       |
| Balance on January 1, 2019                          | \$ -                  | 37,379           | 37,379              |
| Depreciation                                        | -                     | 5,690            | 5,690               |
| Balance on December 31, 2019                        | <u>\$ -</u>           | <u>43,069</u>    | <u>43,069</u>       |
| Carrying value:                                     |                       |                  |                     |
| Balance on December 31, 2020                        | <u>\$ 593,697</u>     | <u>97,459</u>    | <u>691,156</u>      |
| Balance on January 1, 2019                          | <u>\$ 528,019</u>     | <u>76,238</u>    | <u>604,257</u>      |
| Balance at December 31, 2019                        | <u>\$ 545,783</u>     | <u>93,790</u>    | <u>639,573</u>      |
| Fair value:                                         |                       |                  |                     |
| Balance on December 31, 2020                        |                       |                  | <u>\$ 1,079,144</u> |
| Balance on January 1, 2019                          |                       |                  | <u>\$ 1,006,666</u> |
| Balance on December 31, 2019                        |                       |                  | <u>\$ 1,146,653</u> |

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

Information on depreciation for the years ended December 31, 2020 and 2019 is discussed in Note 12(c), and for the information on rental revenue and other direct operating expense, please refer to Note 6(q).

(Continued)

# CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

As of December 31, 2020 and 2019, the details of investment properties pledged as collateral, please refer to Note 8.

### (k) Intangible assets

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

|                                               | <u>Goodwill</u>   | <u>Patent</u> | <u>Client Relationship</u> | <u>Computer Software</u> | <u>Total</u>   |
|-----------------------------------------------|-------------------|---------------|----------------------------|--------------------------|----------------|
| Cost:                                         |                   |               |                            |                          |                |
| Balance on January 1, 2020                    | \$ 393,630        | 62,652        | 226,177                    | 32,427                   | 714,886        |
| Acquisitions                                  | -                 | -             | -                          | 556                      | 556            |
| Reclassification                              | -                 | -             | -                          | 56                       | 56             |
| Influence from exchange rates                 | (2,768)           | 1,017         | 3,673                      | (161)                    | 1,761          |
| Balance on December 31, 2020                  | <u>\$ 390,862</u> | <u>63,669</u> | <u>229,850</u>             | <u>32,878</u>            | <u>717,259</u> |
| Balance on January 1, 2019                    | \$ 405,342        | 64,974        | 234,560                    | 24,333                   | 729,209        |
| Acquisitions                                  | -                 | -             | -                          | 3,212                    | 3,212          |
| Reclassification                              | -                 | -             | -                          | 4,983                    | 4,983          |
| Influence from exchange rates                 | (11,712)          | (2,322)       | (8,383)                    | (101)                    | (22,518)       |
| Balance on December 31, 2019                  | <u>\$ 393,630</u> | <u>62,652</u> | <u>226,177</u>             | <u>32,427</u>            | <u>714,886</u> |
| Accumulated amortization and impairment loss: |                   |               |                            |                          |                |
| Balance on January 1, 2020                    | \$ -              | 62,652        | 218,384                    | 17,960                   | 298,996        |
| Amortization                                  | -                 | -             | 7,739                      | 5,179                    | 12,918         |
| Influence from exchange rates                 | -                 | 1,017         | 3,727                      | (161)                    | 4,583          |
| Balance on December 31, 2020                  | <u>\$ -</u>       | <u>63,669</u> | <u>229,850</u>             | <u>22,978</u>            | <u>316,497</u> |
| Balance on January 1, 2019                    | \$ -              | 64,974        | 203,022                    | 9,926                    | 277,922        |
| Amortization                                  | -                 | -             | 23,457                     | 4,824                    | 28,281         |
| Reclassification                              | -                 | -             | -                          | 3,311                    | 3,311          |
| Influence from exchange rates                 | -                 | (2,322)       | (8,095)                    | (101)                    | (10,518)       |
| Balance on December 31, 2019                  | <u>\$ -</u>       | <u>62,652</u> | <u>218,384</u>             | <u>17,960</u>            | <u>298,996</u> |
| Carrying value:                               |                   |               |                            |                          |                |
| Balance on December 31, 2020                  | <u>\$ 390,862</u> | <u>-</u>      | <u>-</u>                   | <u>9,900</u>             | <u>400,762</u> |
| Balance on January 1, 2019                    | <u>\$ 405,342</u> | <u>-</u>      | <u>31,538</u>              | <u>14,407</u>            | <u>451,287</u> |
| Balance on December 31, 2019                  | <u>\$ 393,630</u> | <u>-</u>      | <u>7,793</u>               | <u>14,467</u>            | <u>415,890</u> |

(Continued)



## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group conducts impairment assessment on goodwill at least once a year on the reporting date. The goodwill on December 31, 2020 and 2019 arose from the subsidiaries UEA and CMI, which held 100% equity of CMW (C.I.) as a long-term investment. The original investment amount of long-term equity investment amounted to US \$75,157 thousand. The Company used the discounted cash flow method of the income method under CMW (C.I.) operating income for evaluation method, and used free cash flows as the criterion for measuring the recoverable cash flow of goodwill. The recoverable amounts on December 31, 2020 and 2019, were both higher than the book value of the equity investment on the evaluation date, which were resulting in no impairment loss. These recoverable amounts were estimated by using discounted cash flows, which were classified as Level 3 for using significant unobservable inputs.

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

(l) Other non-current financial assets

|                                                                                      | December 31,<br>2020 | December 31,<br>2019 |
|--------------------------------------------------------------------------------------|----------------------|----------------------|
| Debt obligation receivable— The Splendor Hospitality International Co., Ltd.         | \$ 575,000           | 575,000              |
| Debt obligation receivable— Chin Ling Steel Co., Ltd.— Non-guaranteed                | 23,250               | 23,250               |
| Less: Accumulated impairment— Debt obligation receivable — Chin Ling Steel Co., Ltd. | (23,250)             | (23,250)             |
| Refundable deposits                                                                  | 109,059              | 105,391              |
|                                                                                      | <u>\$ 684,059</u>    | <u>680,391</u>       |

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

(Continued)

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

| <b>December 31, 2020</b>               |                            |                                 |                                                                                                                                                                                                                                                                                                                |                                                                                       |
|----------------------------------------|----------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Underlying</b>                      | <b>Obligation<br/>Cost</b> | <b>Obligation<br/>Principal</b> | <b>Valuation Assessment</b>                                                                                                                                                                                                                                                                                    | <b>Collateral</b>                                                                     |
| The Splendor Hospitality International | <u>\$ 575,000</u>          | <u>796,845</u>                  | According to the assessment of Jones Lang Lasalle Real Estate Appraiser Joint Office, the valuation of mortgage is \$7,056,000 thousand. After deducting the 1 <sup>st</sup> security, which amounted to \$3,960,000 thousand, the residual mortgage attributed to the Group amounted to \$1,548,000 thousand. | The building of The Splendor Hospitality International (the 2 <sup>nd</sup> security) |
| <b>December 31, 2019</b>               |                            |                                 |                                                                                                                                                                                                                                                                                                                |                                                                                       |
| <b>Underlying</b>                      | <b>Obligation<br/>Cost</b> | <b>Obligation<br/>Principal</b> | <b>Valuation Assessment</b>                                                                                                                                                                                                                                                                                    | <b>Collateral</b>                                                                     |
| The Splendor Hospitality International | <u>\$ 575,000</u>          | <u>796,845</u>                  | According to the assessment of Zhonglian Real Estate Appraiser Joint Office, the valuation of mortgage is \$7,579,711 thousand. After deducting the 1 <sup>st</sup> security, which amounted to \$3,960,000 thousand, the residual mortgage attributed to the Group amounted to \$1,809,856 thousand.          | The building of The Splendor Hospitality International (the 2 <sup>nd</sup> security) |

(ii) As of December 31, 2020 and 2019, the cost and principal of debt obligation from Chin Ling Steel were \$23,250 thousand and \$118,561 thousand, respectively.

(m) Short-term borrowings

|                           | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------|------------------------------|------------------------------|
| Unsecured bank borrowings | \$ 1,820,974                 | 1,638,974                    |
| Secured bank borrowings   | 5,720,074                    | 6,299,662                    |
| Notes and bills payable   | 449,566                      | 229,718                      |
| Total                     | <u>\$ 7,990,614</u>          | <u>8,168,354</u>             |
| Unused credit limit       | <u>\$ 6,543,281</u>          | <u>6,206,252</u>             |
| Range of interest rates   | <u>0.52%~2.25%</u>           | <u>0.90%~2.84%</u>           |

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

(Continued)

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

(n) Long-term borrowings

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

| <b>December 31, 2020</b>               |                 |                                |             |                             |
|----------------------------------------|-----------------|--------------------------------|-------------|-----------------------------|
|                                        | <b>Currency</b> | <b>Range of Interest Rates</b> | <b>Term</b> | <b>Amount</b>               |
| Unsecured bank borrowings              | NTD, USD        | 0.63%~2.81%                    | 2021~2022   | \$ 2,889,763                |
| Secured bank borrowings                | NTD, HKD, USD   | 0.90%~3.70%                    | 2022~2031   | 8,150,663                   |
| Less: Current portion                  |                 |                                |             | (100,240)                   |
| Unamortized long-term borrowings costs |                 |                                |             | (824)                       |
| Total                                  |                 |                                |             | <u><u>\$ 10,939,362</u></u> |
| Unused credit limit                    |                 |                                |             | <u><u>\$ 341,821</u></u>    |

| <b>December 31, 2019</b>               |                 |                                |             |                            |
|----------------------------------------|-----------------|--------------------------------|-------------|----------------------------|
|                                        | <b>Currency</b> | <b>Range of Interest Rates</b> | <b>Term</b> | <b>Amount</b>              |
| Unsecured bank borrowings              | NTD, USD        | 1.12%~2.81%                    | 2020~2021   | \$ 2,449,877               |
| Secured bank borrowings                | NTD, HKD, USD   | 1.00%~4.03%                    | 2020~2031   | 8,244,478                  |
| Less: Current portion                  |                 |                                |             | (2,533,247)                |
| Unamortized long-term borrowings costs |                 |                                |             | (39)                       |
| Total                                  |                 |                                |             | <u><u>\$ 8,161,069</u></u> |
| Unused credit limit                    |                 |                                |             | <u><u>\$ 792,170</u></u>   |

(i) Collateral for bank borrowings

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

(ii) Borrowing covenants

The Group entered into a borrowing contract in a total credit of \$3,150,000 thousand with a financial institution 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, 2020, the Group was in compliance with the above borrowing covenants.

The Group entered into a borrowing contract in a total credit of USD43,230 thousand with one financial institution on November 10, 2020. According to the contract, during the repayment periods the Company should file UEA annual non-consolidated and CMI annual consolidated financial statements which were audited by CPA and must comply with certain financial covenants. The financial covenants based on the years of 2020 and 2019 CMI annual consolidated financial statements is EBITDA/(CPLTD+1), which shall be greater than or equal to 1, and of which based on UEA annual non-consolidated and CMI annual consolidated financial statements is debt ratio, which shall be less than or equal to 80%. The compliance with the aforementioned covenants will be examined annually. As of December 31, 2020 and 2019, the Group were in compliance with the above borrowing covenants.

(Continued)

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

(o) Lease liabilities

The details of the lease liabilities is as follows:

|             | December 31,<br>2020 | December 31,<br>2019 |
|-------------|----------------------|----------------------|
| Current     | \$ <u>184,634</u>    | <u>190,521</u>       |
| Non-current | \$ <u>1,812,222</u>  | <u>1,991,672</u>     |

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

The amounts recognized in profit or loss are as follows:

|                                                                              | For the Year Ended December 31<br>2020 | 2019          |
|------------------------------------------------------------------------------|----------------------------------------|---------------|
| Interest on lease liabilities                                                | \$ <u>26,958</u>                       | <u>30,039</u> |
| Expenses relating to leases short-term assets                                | \$ <u>15,829</u>                       | <u>21,672</u> |
| Covid-19-related rent concessions (recognized as deduction of rent expenses) | \$ <u>40</u>                           | <u>-</u>      |

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

|                               | For the Year Ended December 31<br>2020 | 2019           |
|-------------------------------|----------------------------------------|----------------|
| Total cash outflow for leases | \$ <u>232,144</u>                      | <u>241,840</u> |

(i) Real estate leases

As of December 31, 2020, the Group 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 Group makes at the leased store in the period. Some also require the Group 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 Group 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 Group and not by the lessors. In which the lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Group leases equipment and transportation, with lease terms of 2 to 6 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

(Continued)

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

The Group 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 Group has elected not to recognize right-of-use assets and lease liabilities.

(p) Provisions

|                               | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-------------------------------|------------------------------|------------------------------|
| Current:                      |                              |                              |
| Warranties                    | \$ 186                       | 246                          |
| Legal                         | <u>-</u>                     | <u>43,100</u>                |
| Subtotal                      | <u>186</u>                   | <u>43,346</u>                |
| Non-current:                  |                              |                              |
| Financial guarantee contracts | 33,269                       | 44,756                       |
| Legal                         | <u>236,052</u>               | <u>236,052</u>               |
| Subtotal                      | <u>269,321</u>               | <u>280,808</u>               |
| Total                         | <u><b>\$ 269,507</b></u>     | <u><b>324,154</b></u>        |

(i) Warranties

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

(ii) Financial guarantee contracts

The Group assisted the joint venture to obtain the endorsement guarantee for the credit limit borrowing from the financial institutions. According to IFRS 9 "Financial Instruments", the financial guarantee contracts are measured at fair value.

(iii) Legal

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

(q) Operating leases

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

(Continued)

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

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

|                                   | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-----------------------------------|------------------------------|------------------------------|
| Less than one year                | \$ 17,020                    | 10,678                       |
| One to two years                  | 12,355                       | 355                          |
| Two to three years                | 5,265                        | -                            |
| Three to four years               | 355                          | -                            |
| Total undiscounted lease payments | <b>\$ 34,995</b>             | <b>11,033</b>                |

For the years ended December 31, 2020 and 2019, rental revenues from investment properties amounted to \$24,196 thousand and \$11,926 thousand, respectively. The equipment and maintenance costs arising from the investment properties (recognized under "operating costs") are as follows:

|                    | <b>For the Years Ended December 31<br/>2020</b> | <b>2019</b> |
|--------------------|-------------------------------------------------|-------------|
| Lease-out property | <b>\$ 32</b>                                    | <b>11</b>   |

(r) Employee benefits

(i) Defined benefit plans

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

|                                             | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------------------------|------------------------------|------------------------------|
| Present value of defined benefit obligation | \$ 122,681                   | 139,752                      |
| Fair value of plan assets                   | (95,942)                     | (92,205)                     |
| Net defined benefit liabilities             | <b>\$ 26,739</b>             | <b>47,547</b>                |

Employee benefit liabilities are listed as follows:

|                                                                                                         | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Short-term paid leave liabilities and other liabilities<br>(recognized under other current liabilities) | <b>\$ 17,034</b>             | <b>20,503</b>                |

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

(Continued)

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

1) Composition of plan assets

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

The Group's contributions to the pension funds were deposited with Bank of Taiwan, which amounted to \$95,942 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, 2020 and 2019 are as follows:

|                                                               | <b>For the Years Ended December 31</b> |                       |
|---------------------------------------------------------------|----------------------------------------|-----------------------|
|                                                               | <b>2020</b>                            | <b>2019</b>           |
| Defined benefit obligations on January 1                      | \$ 139,752                             | 153,452               |
| Current service costs and interest                            | 4,615                                  | 4,112                 |
| Remeasurements of the net defined benefit liability           |                                        |                       |
| — Return on plan assets (not including current interest cost) | (347)                                  | (1,648)               |
| — Actuarial gains from changes in demographic assumptions     | -                                      | (333)                 |
| — Actuarial gains from changes in financial assumption        | 375                                    | 2,861                 |
| Prior service cost and gain or loss from the settlement       | (930)                                  | -                     |
| Benefits paid by the plan                                     | (20,784)                               | (18,692)              |
| Defined benefit obligation on December 31                     | <u><u>\$ 122,681</u></u>               | <u><u>139,752</u></u> |

(Continued)

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

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 are as follows:

|                                                               | <b>For the Years Ended December 31</b> |                      |
|---------------------------------------------------------------|----------------------------------------|----------------------|
|                                                               | <b>2020</b>                            | <b>2019</b>          |
| Fair value of plan assets on January 1                        | \$ 92,205                              | 78,720               |
| Interest revenue                                              | 972                                    | 957                  |
| Remeasurements of the net defined benefit liability           |                                        |                      |
| — Return on plan assets (not including current interest cost) | 2,711                                  | 2,711                |
| Contributed amount                                            | 18,085                                 | 23,515               |
| Benefits paid by the plan                                     | (18,031)                               | (13,698)             |
| Fair value of plan asset on December 31                       | <u><u>\$ 95,942</u></u>                | <u><u>92,205</u></u> |

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

5) Expenses recognized in profit and loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 are as follows:

|                                                         | <b>For the Years Ended December 31</b> |                     |
|---------------------------------------------------------|----------------------------------------|---------------------|
|                                                         | <b>2020</b>                            | <b>2019</b>         |
| Current service cost                                    | \$ 1,021                               | 1,172               |
| Net interest on net defined benefit liability           | 239                                    | 634                 |
| Prior service cost and gain or loss from the settlement | (930)                                  | -                   |
|                                                         | <u><u>\$ 330</u></u>                   | <u><u>1,806</u></u> |

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

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

|                                  | <b>For the Years Ended December 31</b> |                      |
|----------------------------------|----------------------------------------|----------------------|
|                                  | <b>2020</b>                            | <b>2019</b>          |
| Cumulative amount on January 1   | \$ 38,733                              | 40,547               |
| Recognized during the year       | (2,683)                                | (1,814)              |
| Cumulative amount on December 31 | <u><u>\$ 36,050</u></u>                | <u><u>38,733</u></u> |

(Continued)



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

7) Actuarial assumptions

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

|                             | <u>2020.12.31</u> | <u>2019.12.31</u> |
|-----------------------------|-------------------|-------------------|
| Discount rate               | 0.5%~0.8%         | 0.075%~1.000%     |
| Future salary increase rate | 1%~3%             | 1%~3%             |

Based on the actuarial report, the Group is expected to make a contribution payment of \$16,157 thousand to the defined benefit plans for the one year period after the reporting date of 2020.

The weighted average duration of the defined benefit plans is between 8.20 to 13.54 years.

8) Sensitivity analysis

As of December 31, 2020 and 2019, the changes in the principal actuarial assumptions that will impact on the present value of defined benefit obligation are as follows:

|                             | <b>Impact on Present Value of<br/>Defined Benefit Obligations</b> |                              |
|-----------------------------|-------------------------------------------------------------------|------------------------------|
|                             | <b>Increase by<br/>0.25%</b>                                      | <b>Decrease by<br/>0.25%</b> |
| December 31, 2020           |                                                                   |                              |
| Discount rate               | \$ (1,966)                                                        | 2,043                        |
| Future salary increase rate | 2,959                                                             | (2,774)                      |
| December 31, 2019           |                                                                   |                              |
| Discount rate               | (2,486)                                                           | 2,581                        |
| Future salary increase rate | 3,650                                                             | (3,431)                      |

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

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

(ii) Defined contribution plans

The Group contributes an amount at the rate of the employees' monthly wages to the Labor Pension personal account with the Bureau of Labor Insurance and Council of Labor Affairs in R.O.C. and relative social insurance institutions in accordance with the provisions of the Labor Pension Act and pension regulations in other business area. The Group's contributions to the Bureau of Labor Insurance for the employees' pension benefits, as well as to the labor and social security bureau, require no further payment of additional legal or constructive obligations.

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2020 and 2019 amounted to \$33,441 thousand and \$83,944 thousand, respectively.

As of December 31, 2020 and 2019, the Group's employee benefits retirement expenses amounted to \$207 thousand and \$228 thousand, respectively.

(s) Income tax

(i) Applicated legal tax rates of foreign subsidiaries: China: 15%~25%; Japan: 29.05%~33.58%; the USA: 21%.

(ii) The income tax expense are as follows:

|                              | <b>For the Years Ended December 31</b> |                |
|------------------------------|----------------------------------------|----------------|
|                              | <b>2020</b>                            | <b>2019</b>    |
| Current income tax expense   |                                        |                |
| Current period incurred      | \$ 157,920                             | 191,066        |
| Land value increment tax     | 65,972                                 | 31,824         |
| Undistributed profit tax     | 8,263                                  | 49,943         |
| Adjustment for prior periods | (24,379)                               | (23,952)       |
|                              | <u>207,776</u>                         | <u>248,881</u> |
| Deferred tax benefit         | (31,653)                               | (22,531)       |
| Income tax expense           | <b>\$ 176,123</b>                      | <b>226,350</b> |

Income tax on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2020 and 2019 as follows:

|                                                                                       | <b>For the Years Ended December 31</b> |                |
|---------------------------------------------------------------------------------------|----------------------------------------|----------------|
|                                                                                       | <b>2020</b>                            | <b>2019</b>    |
| Profit before income tax                                                              | \$ 967,564                             | 888,034        |
| Income tax expense at domestic statutory tax rate                                     | 193,513                                | 177,607        |
| Difference of the applicable tax rate between the parent company and its subsidiaries | 18,455                                 | (16,034)       |
| Investment gain (loss) accounted for using equity method                              | 22,213                                 | 5,554          |
| Domestic investment income under Article 42 of Income Tax Act                         | (6,033)                                | (5,639)        |
| Land tax exemption                                                                    | (152,600)                              | (44,454)       |
| Difference between financial and taxable filing income                                | 6,245                                  | 6,029          |
| Loss (gain) on valuation of financial asset                                           | 1,200                                  | (106)          |
| Land value increment tax                                                              | 65,972                                 | 31,823         |
| Surtax on undistributed earnings                                                      | 8,263                                  | 49,943         |
| Prior overestimate income tax                                                         | (24,379)                               | (23,952)       |
| Others                                                                                | 43,274                                 | 45,579         |
| Income tax expense                                                                    | <b>\$ 176,123</b>                      | <b>226,350</b> |

(Continued)

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

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The unrecognized deferred tax assets are as follows:

|                                  | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------------------|------------------------------|------------------------------|
| Deductible temporary differences | \$ 6,402                     | 7,979                        |
| Tax losses                       | 214,842                      | 154,789                      |
|                                  | <b>\$ 221,244</b>            | <b>162,768</b>               |

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

As of December 31, 2020, the Group had not recognized the prior years' loss carryforwards as deferred tax assets, and the expiry years' thereof are as follows:

| <b>Unused Balance</b> | <b>Expiry Year</b> |
|-----------------------|--------------------|
| \$ 108,458            | 2021               |
| 121,880               | 2022               |
| 52,313                | 2023               |
| 49,652                | 2024               |
| 83,305                | 2025               |
| 46,784                | 2026               |
| 60,376                | 2027               |
| 52,005                | 2028               |
| 150,443               | 2029               |
| 312,460               | After 2030         |
| <b>\$ 1,037,676</b>   |                    |

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 are as follows:

|                                    | <b>For the Years Ended December 31<br/>2020</b> | <b>2019</b>   |
|------------------------------------|-------------------------------------------------|---------------|
| Deferred tax assets:               |                                                 |               |
| Balance on January 1               | \$ 32,234                                       | 28,092        |
| (Debit) Credit on income statement | 5,979                                           | 4,142         |
| <b>Balance on December 31</b>      | <b>\$ 38,213</b>                                | <b>32,234</b> |

(Continued)

# CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

|                                    | For the Years Ended December 31 |                |
|------------------------------------|---------------------------------|----------------|
|                                    | 2020                            | 2019           |
| Deferred tax liabilities:          |                                 |                |
| Balance on January 1               | \$ 628,060                      | 646,449        |
| Debit (Credit) on income statement | (25,674)                        | (18,389)       |
| <b>Balance on December 31</b>      | <b>\$ 602,386</b>               | <b>628,060</b> |

- (iv) Under income tax return filing of the Group, the income tax returns of the Company had been assessed and approved by the Tax Authority through 2017, other domestic consolidated subsidiaries had been assessed and approved through 2018. The Company and Sunflower Investment did not agree on the proposed tax adjustments from the Tax Authority, and filed the petition of administration. Please refer to Note 9(b) for the details of the petition.

(t) Share capital and other equity

(i) Capital stock

As of December 31, 2020 and 2019, the Company's authorized share capital are 5,000,000 thousands, with par value of \$10 per share and the issued capital are \$3,761,221 thousand and \$3,852,521 thousand, respectively. All the proceeds from the issued capital have been remitted.

(ii) Capital surplus

The components of the capital surplus are as follows:

|                                                                                      | December 31,<br>2020 | December 31,<br>2019 |
|--------------------------------------------------------------------------------------|----------------------|----------------------|
| From issuance of share capital                                                       | \$ 611,272           | 626,110              |
| Employee stock option of subsidiaries                                                | 33,352               | 33,352               |
| From conversion of convertible bonds                                                 | 843,035              | 863,499              |
| Changes in equity of associates and joint ventures accounted for using equity method | 143                  | 143                  |
|                                                                                      | <b>\$ 1,487,802</b>  | <b>1,523,104</b>     |

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

In accordance with the Company's Articles of Incorporation, net 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, as required by its operation or by the government, appropriate for special reserve. The remaining balance

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

of the earnings, if any, may be appropriated according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval. If all or part of the aforementioned employees' compensation is distributed in cash, the resolution will be approved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and the distribution shall be submitted to the shareholders' meeting.

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

#### 1) Legal reserve

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

#### 2) Special reserve

The Company applied the exemptions at the first-time adoption of IFRSs, and increased its retained earnings by \$49,081 thousand, which resulted from unrealized revaluation increments, exchange differences on translation of foreign financial statements, and the fair value of investment property being used as the cost on initial recognitions at the transition date. In accordance with Permit 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, 2020 and 2019, the Company recognized the special reserve related to all IFRSs adjustments amounted to \$49,081 thousand. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

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

#### 3) Earnings distribution

The appropriations of the Company's 2019 and 2018 earnings were based on the resolutions decided during the meetings of the Board of Directors and shareholders held on May 12, 2020 and June 24, 2019, respectively.

(Continued)

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

These earnings are appropriated as follows:

|                                  | <b>2019</b>                |                       | <b>2018</b>                |                         |
|----------------------------------|----------------------------|-----------------------|----------------------------|-------------------------|
|                                  | <b>Allotment<br/>(NTD)</b> | <b>Amount</b>         | <b>Allotment<br/>(NTD)</b> | <b>Amount</b>           |
| Common stock dividends per share |                            |                       |                            |                         |
| Cash                             | \$ 0.92                    | <u><b>346,727</b></u> | 2.70                       | <u><b>1,040,181</b></u> |

(iv) Treasury shares

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

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

(v) Other equity (net of tax)

|                                                                                              | <b>Exchange<br/>Differences on<br/>Translation<br/>of Foreign<br/>Financial<br/>Statements</b> | <b>Unrealized<br/>Gains (Losses)<br/>from<br/>Financial<br/>Assets<br/>Measured at<br/>FVOCI</b> | <b>Non-controlling<br/>Interest</b> | <b>Total</b>            |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------|
| Balance on January 1, 2020                                                                   | \$ (143,749)                                                                                   | 87,640                                                                                           | 3,852,894                           | 3,796,785               |
| Profit attributable to non-controlling interests                                             | -                                                                                              | -                                                                                                | 233,983                             | 233,983                 |
| Exchange differences on foreign operations                                                   | 175,947                                                                                        | -                                                                                                | 25,631                              | 201,578                 |
| Unrealized gain on financial assets                                                          | -                                                                                              | 6,193                                                                                            | 63                                  | 6,256                   |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed of | -                                                                                              | -                                                                                                | 1,063                               | 1,063                   |
| Changes in non-controlling interest                                                          | -                                                                                              | -                                                                                                | 976                                 | 976                     |
| Cash dividends paid to non-controlling interests                                             | -                                                                                              | -                                                                                                | (138,930)                           | (138,930)               |
| Others                                                                                       | -                                                                                              | -                                                                                                | (2)                                 | (2)                     |
| Balance on December 31, 2020                                                                 | <u><b>\$ 32,198</b></u>                                                                        | <u><b>93,833</b></u>                                                                             | <u><b>3,975,678</b></u>             | <u><b>4,101,709</b></u> |
| Balance on January 1, 2019                                                                   | \$ 136,291                                                                                     | 69,779                                                                                           | 4,199,268                           | 4,405,338               |
| Effects of retrospective application                                                         | -                                                                                              | -                                                                                                | (332)                               | (332)                   |
| Balance on January 1, 2019, after adjustments                                                | 136,291                                                                                        | 69,779                                                                                           | 4,198,936                           | 4,405,006               |
| Profit attributable to non-controlling interests                                             | -                                                                                              | -                                                                                                | 152,957                             | 152,957                 |
| Exchange differences on foreign operations                                                   | (280,040)                                                                                      | -                                                                                                | (62,808)                            | (342,848)               |
| Unrealized gain on financial assets measured at FVOCI                                        | -                                                                                              | 17,861                                                                                           | -                                   | 17,861                  |
| Changes in equity of associates and joint ventures accounted for using equity method         | -                                                                                              | -                                                                                                | 40                                  | 40                      |
| Changes in non-controlling interest                                                          | -                                                                                              | -                                                                                                | (10,958)                            | (10,958)                |
| Cash dividends paid to non-controlling interests                                             | -                                                                                              | -                                                                                                | (424,901)                           | (424,901)               |
| Others                                                                                       | -                                                                                              | -                                                                                                | (372)                               | (372)                   |
| Balance on December 31, 2019                                                                 | <u><b>\$ (143,749)</b></u>                                                                     | <u><b>87,640</b></u>                                                                             | <u><b>3,852,894</b></u>             | <u><b>3,796,785</b></u> |

(Continued)

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

(u) Earnings per share

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

|                                                                                               | <b>For the Years Ended December 31</b> |                |
|-----------------------------------------------------------------------------------------------|----------------------------------------|----------------|
|                                                                                               | <b>2020</b>                            | <b>2019</b>    |
| <b>Basic earnings per share</b>                                                               |                                        |                |
| Profit attributable to owners of the parent                                                   | \$ <u>557,458</u>                      | <u>508,727</u> |
| Weighted average number of ordinary shares                                                    | 385,252                                | 385,252        |
| The impact of treasury stocks weighted average number of ordinary shares                      | (5,212)                                | -              |
|                                                                                               | <u>\$ 380,040</u>                      | <u>385,252</u> |
| <b>Basic earnings per share</b>                                                               | <u>\$ 1.47</u>                         | <u>1.32</u>    |
| <b>Diluted earnings per share</b>                                                             |                                        |                |
| Profit attributable to owners of the parent (after the adjustment of diluted ordinary shares) | \$ <u>557,458</u>                      | <u>508,727</u> |
| Weighted average number of ordinary shares                                                    | 380,040                                | 385,252        |
| Effect of potential diluted ordinary shares                                                   |                                        |                |
| Employee stock option                                                                         | 687                                    | 813            |
| Weighted average number of ordinary shares (after the adjustment of diluted ordinary shares)  | 380,727                                | 386,065        |
| <b>Diluted earnings per share</b>                                                             | <u>\$ 1.46</u>                         | <u>1.32</u>    |

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

|                           | <b>For the Years Ended December 31, 2020</b> |                                                |                                              |                   |
|---------------------------|----------------------------------------------|------------------------------------------------|----------------------------------------------|-------------------|
|                           | <b>Metal<br/>Manufacturing<br/>Segment</b>   | <b>Real Estate<br/>Development<br/>Segment</b> | <b>Lifestyle<br/>Hospitality<br/>Segment</b> | <b>Total</b>      |
| Major geographic markets: |                                              |                                                |                                              |                   |
| Taiwan                    | \$ 554,385                                   | 2,619,560                                      | 623,810                                      | 3,797,755         |
| United States             | 1,775,750                                    | -                                              | -                                            | 1,775,750         |
| Japan                     | 1,080,979                                    | -                                              | -                                            | 1,080,979         |
| China                     | 5,909,953                                    | -                                              | -                                            | 5,909,953         |
| Europe                    | 245,549                                      | -                                              | -                                            | 245,549           |
| South America             | 19,593                                       | -                                              | -                                            | 19,593            |
| Others                    | 296,320                                      | -                                              | -                                            | 296,320           |
|                           | <u>\$ 9,882,529</u>                          | <u>2,619,560</u>                               | <u>623,810</u>                               | <u>13,125,899</u> |

(Continued)

# CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

| For the Years Ended December 31, 2020 |                                   |                                       |                                     |                   |
|---------------------------------------|-----------------------------------|---------------------------------------|-------------------------------------|-------------------|
|                                       | Metal<br>Manufacturing<br>Segment | Real Estate<br>Development<br>Segment | Lifestyle<br>Hospitality<br>Segment | Total             |
| Major product/service lines:          |                                   |                                       |                                     |                   |
| Iron casting hardware                 | \$ 9,832,469                      | -                                     | -                                   | 9,832,469         |
| Construction                          | -                                 | 2,619,560                             | -                                   | 2,619,560         |
| Counter commissions                   | -                                 | -                                     | 346,119                             | 346,119           |
| Others                                | 50,060                            | -                                     | 277,691                             | 327,751           |
|                                       | <u>\$ 9,882,529</u>               | <u>2,619,560</u>                      | <u>623,810</u>                      | <u>13,125,899</u> |
| For the Years Ended December 31, 2019 |                                   |                                       |                                     |                   |
|                                       | Metal<br>Manufacturing<br>Segment | Real Estate<br>Development<br>Segment | Lifestyle<br>Hospitality<br>Segment | Total             |
| Major geographic markets:             |                                   |                                       |                                     |                   |
| Taiwan                                | \$ 422,387                        | 1,281,836                             | 728,409                             | 2,432,632         |
| United States                         | 2,324,725                         | -                                     | -                                   | 2,324,725         |
| Japan                                 | 1,602,769                         | -                                     | -                                   | 1,602,769         |
| China                                 | 6,732,088                         | -                                     | -                                   | 6,732,088         |
| Europe                                | 279,413                           | -                                     | -                                   | 279,413           |
| South America                         | 23,168                            | -                                     | -                                   | 23,168            |
| Others                                | 375,329                           | -                                     | -                                   | 375,329           |
|                                       | <u>\$ 11,759,879</u>              | <u>1,281,836</u>                      | <u>728,409</u>                      | <u>13,770,124</u> |
| Major product/service lines:          |                                   |                                       |                                     |                   |
| Iron casting hardware                 | \$ 11,688,745                     | -                                     | -                                   | 11,688,745        |
| Construction                          | -                                 | 1,268,086                             | -                                   | 1,268,086         |
| Counter commissions                   | -                                 | -                                     | 345,182                             | 345,182           |
| Others                                | 71,134                            | 13,750                                | 383,227                             | 468,111           |
|                                       | <u>\$ 11,759,879</u>              | <u>1,281,836</u>                      | <u>728,409</u>                      | <u>13,770,124</u> |

### (ii) Contract balances

|                               | December 31,<br>2020 | December 31,<br>2019 | January 1,<br>2019 |
|-------------------------------|----------------------|----------------------|--------------------|
| Notes and accounts receivable | \$ 3,821,230         | 3,929,554            | 4,328,695          |
| Less: Loss allowance          | (3,120)              | (26,005)             | (21,874)           |
| Total                         | <u>\$ 3,818,110</u>  | <u>3,903,549</u>     | <u>4,306,821</u>   |
| Contract assets               | <u>\$ -</u>          | <u>-</u>             | <u>-</u>           |

(Continued)



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

|                                                   | December 31,<br>2020 | December 31,<br>2019 | January 1,<br>2019 |
|---------------------------------------------------|----------------------|----------------------|--------------------|
| Contract liabilities—Advance real estate receipts | \$ <u>2,443,869</u>  | <u>1,346,583</u>     | <u>502,930</u>     |
| Contract liabilities—Advance receipts             | \$ <u>49,115</u>     | <u>42,370</u>        | <u>44,696</u>      |

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

The amount of revenue recognized for the years ended December 31, 2020 and 2019, that were included in the contract liabilities balance at the beginning of the period were \$146,207 and \$592,051 thousand, respectively.

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

(w) Employees' compensation and remuneration of directors

Based on the amended Company's Articles of Incorporation, employees' compensation is appropriated at the rate of no less than 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, 2020 and 2019, appropriated employees' compensation by \$16,606 thousand and \$15,662 thousand, respectively, and appropriated remuneration of directors by \$14,826 thousand and \$15,060 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 period. The number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to Board of Directors meeting. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss.

There was no significant difference between employees' compensation and remuneration of directors approved by the Board of Directors meeting and the estimated amount for the year of 2019.

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.

(Continued)

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

(x) Net other income and expenses

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

|                | <b>For the Years Ended December 31</b> |               |
|----------------|----------------------------------------|---------------|
|                | <b>2020</b>                            | <b>2019</b>   |
| Rental revenue | \$ <u>7,703</u>                        | <u>10,470</u> |

(y) Non-operating income and expenses

(i) Interest income

The information on interest income is listed as follows:

|                                                    | <b>For the Years Ended December 31</b> |               |
|----------------------------------------------------|----------------------------------------|---------------|
|                                                    | <b>2020</b>                            | <b>2019</b>   |
| Interest income from bank deposits                 | \$ 32,107                              | 44,204        |
| Interest income from financial guarantee contracts | <u>13,405</u>                          | <u>13,411</u> |
| Total Interest income                              | <u>\$ 45,512</u>                       | <u>57,615</u> |

(ii) Other income

The information on other income is listed as follows:

|                    | <b>For the Years Ended<br/>December 31</b> |                |
|--------------------|--------------------------------------------|----------------|
|                    | <b>2020</b>                                | <b>2019</b>    |
| Dividend income    | \$ 30,167                                  | 28,196         |
| Others             | <u>105,987</u>                             | <u>110,237</u> |
| Total other income | <u>\$ 136,154</u>                          | <u>138,433</u> |

(iii) Other gains and losses

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

|                                                     | <b>For the Years Ended<br/>December 31</b> |                 |
|-----------------------------------------------------|--------------------------------------------|-----------------|
|                                                     | <b>2020</b>                                | <b>2019</b>     |
| Losses on disposal of property, plant and equipment | \$ (39,594)                                | (5,363)         |
| Lease modification gains                            | 1,194                                      | -               |
| Foreign exchange (losses) gains                     | (54,106)                                   | 5,738           |
| (Losses) gains on financial assets at FVTPL         | (6,000)                                    | 528             |
| Impairment loss on property, plant and equipment    | -                                          | (447)           |
| Losses on disposal of investment                    | (1)                                        | -               |
| Other losses                                        | <u>(27,405)</u>                            | <u>(45,985)</u> |
| Net amount of other gains and losses                | <u>\$ (125,912)</u>                        | <u>(45,529)</u> |

(Continued)

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

(iv) Finance costs

The information on interest costs is listed as follows:

|                                  | <b>For the Years Ended<br/>December 31</b> |                |
|----------------------------------|--------------------------------------------|----------------|
|                                  | <b>2020</b>                                | <b>2019</b>    |
| Bank borrowing interest expense  | \$ 246,034                                 | 237,725        |
| Lease liability interest expense | 26,956                                     | 30,039         |
| Other finance costs              | 1,749                                      | 1,472          |
| Net amount of finance costs      | <b>\$ 274,739</b>                          | <b>269,236</b> |

For the years ended December 31, 2020 and 2019, the capitalized interest costs amounted to \$50,619 thousand and \$47,550 thousand, respectively.

(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

3) Credit risks of receivables and debt securities

For the information regarding credit risk exposure of notes and accounts receivables, please refer to Note 6(d). Other financial assets at amortized cost include other receivables and time deposits.

All of these financial assets mentioned above are considered to be low risk, therefore, the impairment provision recognized during the period was limited to 12 months expected losses. For the allowance of impairment on financial assets for the years ended December 31, 2020 and 2019, please refer to Note 6(d).

(Continued)

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

(ii) Liquidity risk

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

|                                                            | <u>Contractual<br/>Cash Flow</u> | <u>Within 6<br/>Months</u> | <u>6-12<br/>Months</u>  | <u>1-2 Years</u>        | <u>2-5 Years</u>        | <u>Over 5<br/>Years</u> |
|------------------------------------------------------------|----------------------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>December 31, 2020</b>                                   |                                  |                            |                         |                         |                         |                         |
| Non-derivative financial liabilities                       |                                  |                            |                         |                         |                         |                         |
| Bank borrowings                                            | \$ 19,559,149                    | 2,626,081                  | 1,895,083               | 8,906,212               | 6,101,100               | 30,673                  |
| Lease liabilities                                          | 2,247,285                        | 107,124                    | 101,805                 | 195,978                 | 594,921                 | 1,247,457               |
| Notes and accounts payables<br>(including related parties) | 2,663,292                        | 2,663,292                  | -                       | -                       | -                       | -                       |
| Other payables (including related<br>parties)              | <u>1,452,641</u>                 | <u>1,452,641</u>           | <u>-</u>                | <u>-</u>                | <u>-</u>                | <u>-</u>                |
|                                                            | <u><b>\$ 25,922,367</b></u>      | <u><b>6,849,138</b></u>    | <u><b>1,996,888</b></u> | <u><b>9,102,190</b></u> | <u><b>6,696,021</b></u> | <u><b>1,278,130</b></u> |
| <b>December 31, 2019</b>                                   |                                  |                            |                         |                         |                         |                         |
| Non-derivative financial liabilities                       |                                  |                            |                         |                         |                         |                         |
| Bank borrowings                                            | \$ 19,546,749                    | 2,685,966                  | 4,771,158               | 4,103,271               | 7,917,829               | 68,525                  |
| Lease liabilities                                          | 2,459,427                        | 109,857                    | 107,755                 | 209,687                 | 585,500                 | 1,446,628               |
| Notes and accounts payables<br>(including related parties) | 2,628,201                        | 2,628,201                  | -                       | -                       | -                       | -                       |
| Other payables (including related<br>parties)              | <u>850,762</u>                   | <u>850,762</u>             | <u>-</u>                | <u>-</u>                | <u>-</u>                | <u>-</u>                |
|                                                            | <u><b>\$ 25,485,139</b></u>      | <u><b>6,274,786</b></u>    | <u><b>4,878,913</b></u> | <u><b>4,312,958</b></u> | <u><b>8,503,329</b></u> | <u><b>1,515,153</b></u> |

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

(iii) Currency risk

Information on the significant exposure to foreign currency risk of the Group is as follows:

|                       | December 31, 2020   |                  |        | December 31, 2019   |                  |        |           |
|-----------------------|---------------------|------------------|--------|---------------------|------------------|--------|-----------|
|                       | Foreign<br>Currency | Exchange<br>Rate | NTD    | Foreign<br>Currency | Exchange<br>Rate | NTD    |           |
| Financial assets      |                     |                  |        |                     |                  |        |           |
| Monetary items        |                     |                  |        |                     |                  |        |           |
| USD:NTD               | \$                  | 21,890           | 28.48  | 623,430             | 25,467           | 29.98  | 763,486   |
| USD:CNY               |                     | 116,751          | 6.50   | 3,325,082           | 33,943           | 6.96   | 1,017,620 |
| USD:JPY               |                     | 1,063            | 103.08 | 30,277              | 639              | 108.62 | 19,163    |
| EUR:NTD               |                     | 408              | 35.02  | 14,287              | 2,354            | 33.59  | 79,064    |
| EUR:CNY               |                     | 845              | 8.00   | 29,602              | 2,258            | 7.79   | 75,842    |
| JPY:NTD               |                     | 54,520           | 0.28   | 15,064              | 93,893           | 0.28   | 25,914    |
| JPY:CNY               |                     | 50,832           | 0.06   | 14,045              | 33,989           | 0.06   | 9,381     |
| HKD:USD               |                     | 6,370            | 0.13   | 23,376              | 9,752            | 0.13   | 37,546    |
| Financial liabilities |                     |                  |        |                     |                  |        |           |
| Monetary items        |                     |                  |        |                     |                  |        |           |
| USD:CNY               |                     | 138,325          | 6.50   | 3,939,509           | 109,837          | 6.96   | 3,292,900 |
| EUR:CNY               |                     | 1,655            | 8.00   | 57,947              | 8,618            | 7.79   | 289,492   |
| HKD:USD               |                     | 335,088          | 0.13   | 1,229,771           | 390,880          | 0.13   | 1,504,888 |

(Continued)

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

1) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, 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, 2020 and 2019 would have increased (decreased) the after-tax net income for the years ended December 31, 2020 and 2019 by \$9,217 thousand and \$24,474 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2020 and 2019, the foreign exchange gains (losses), including both realized and unrealized, amounted to \$54,106 thousand and \$(5,738) thousand, respectively.

(iv) Interest rate analysis

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

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

If the interest rate increases or decreases by 1% the Group's net income will increase /decrease by \$109,985 thousand and \$119,683 thousand for the years ended December 31, 2020 and 2019, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate bank borrowings.

(v) Other market price risk

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

|              | For the Years Ended December 31         |                                |                                         |                                |
|--------------|-----------------------------------------|--------------------------------|-----------------------------------------|--------------------------------|
|              | 2020                                    |                                | 2019                                    |                                |
|              | Other Comprehensive Income (net of tax) | Net Income (Loss) (net of tax) | Other Comprehensive Income (net of tax) | Net Income (Loss) (net of tax) |
| Increase 10% | \$ 25,759                               | -                              | 21,607                                  | 5,144                          |
| Decrease 10% | \$ (25,759)                             | -                              | (21,607)                                | (5,144)                        |

(Continued)

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

(vi) Fair value of financial instruments

1) Fair value hierarchy

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

| <b>December 31, 2020</b>                         |                      |                   |                |                |                |
|--------------------------------------------------|----------------------|-------------------|----------------|----------------|----------------|
|                                                  | <b>Book Value</b>    | <b>Fair Value</b> |                |                | <b>Total</b>   |
|                                                  |                      | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |                |
| Non-current financial assets at FVOCI            | <u>\$ 257,587</u>    | <u>62,763</u>     | <u>-</u>       | <u>194,824</u> | <u>257,587</u> |
| Financial assets measured at amortized cost      | <u>\$ 10,372,793</u> | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Financial liabilities measured at amortized cost | <u>\$ 25,159,952</u> | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| <b>December 31, 2019</b>                         |                      |                   |                |                |                |
|                                                  | <b>Book Value</b>    | <b>Fair Value</b> |                |                | <b>Total</b>   |
|                                                  |                      | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |                |
| Financial assets at FVTPL                        | <u>\$ 51,440</u>     | <u>51,440</u>     | <u>-</u>       | <u>-</u>       | <u>51,440</u>  |
| Non-current financial assets at FVOCI            | <u>\$ 216,065</u>    | <u>-</u>          | <u>-</u>       | <u>216,065</u> | <u>216,065</u> |
| Financial assets measured at amortized cost      | <u>\$ 9,437,822</u>  | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Financial liabilities measured at amortized cost | <u>\$ 24,537,763</u> | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>       |

2) Valuation techniques for financial instruments measured at fair value

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

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

#### 3) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2020 and 2019.

#### 4) Reconciliation of Level 3 instruments

|                                                      | <b>Non-current Financial<br/>Assets at FVOCI</b>  |
|------------------------------------------------------|---------------------------------------------------|
|                                                      | <b>Equity Instrument<br/>without Quoted Price</b> |
| Balance on January 1, 2020                           | \$ 216,065                                        |
| Reclassification                                     | 45,440                                            |
| Purchase                                             | 11,067                                            |
| Total gains recognized as other comprehensive income | -                                                 |
| Gains recognized as other comprehensive income       | 6,256                                             |
| Capital reduction                                    | (21,241)                                          |
| Balance on December 31, 2020                         | <u><u>\$ 257,587</u></u>                          |
| Balance on January 1, 2019                           | \$ 207,818                                        |
| Total gains recognized as other comprehensive income | 17,861                                            |
| Capital reduction                                    | (9,614)                                           |
| Balance on December 31, 2019                         | <u><u>\$ 216,065</u></u>                          |

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The total gains or losses is listed under “unrealized gain (loss) on financial assets at FVOCI”. The information regarding assets held as of December 31, 2020 and 2019 is as follows:

|                                                                                                                              |  | <b>For the Years Ended December 31</b> |               |
|------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------|---------------|
|                                                                                                                              |  | <b>2020</b>                            | <b>2019</b>   |
| Total gains or losses                                                                                                        |  |                                        |               |
| Recognized as other comprehensive income<br>(which is listed under "unrealized gain (loss)<br>on financial assets of FVOCI") |  | <b>\$ 6,256</b>                        | <b>17,861</b> |
| 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement                        |  |                                        |               |

The Group’s major financial instruments that use Level 3 inputs to measure fair value is “financial assets measured at FVOCI – equity investments”.

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

Quantified information regarding significant unobservable inputs are as follows:

| <b>Item</b>                                                        | <b>Valuation Technique</b> | <b>Significant Unobservable Inputs</b>                                                                                                                                                                                                                                                                                                                                                                               | <b>Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement</b>                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial assets at FVOCI equity investments without active market | Dividend discount model    | <p>·Average expected future dividend income of 5 years (As of December 31, 2020 and December 31, 2019 were \$17~29,388 thousand, and \$0~30,176 thousand, respectively.)</p> <p>·Weighted average capital cost (As of December 31, 2020, December 31, 2019, were 4.70% and 3.45%, respectively.)</p> <p>·Discounting rate without market liquidity (As of December 31, 2020 and December 31, 2019, were all 15%)</p> | <p>·The estimated fair value would increase, if the 5- year average expected future dividend income is increased.</p> <p>·The estimated fair value would decrease, if the weighted average capital cost is increased.</p> <p>·The estimated fair value would decrease, if the discounting rate without market liquidity is increased.</p> |

(Continued)



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

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

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

|                                             | <u>Inputs</u> | <u>Fluctuation<br/>in Inputs</u> | <u>Other Comprehensive Income</u> |                    |
|---------------------------------------------|---------------|----------------------------------|-----------------------------------|--------------------|
|                                             |               |                                  | <u>Favorable</u>                  | <u>Unfavorable</u> |
| <b>December 31, 2020</b>                    |               |                                  |                                   |                    |
| Financial assets at FVOCI                   |               |                                  |                                   |                    |
| Equity investments without an active market | 4.70 %        | 1%                               | 6,755                             | (6,421)            |
| <b>December 31, 2019</b>                    |               |                                  |                                   |                    |
| Financial assets at FVOCI                   |               |                                  |                                   |                    |
| Equity investments without an active market | 3.45 %        | 1%                               | 8,103                             | (7,693)            |

The favorable and unfavorable 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.

(aa) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 1) Accounts and other receivables

The exposure of the credit risk depends on each customer. The Group assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country. For the years ended December 31, 2020 and 2019, there were no geographical concentration of credit risk.

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

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

#### 2) Investments

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

#### 3) Guarantees

As of December 31, 2020 and 2019, please refer to Note 7 and 13(a)(ii) for the details of financial guarantees for subsidiaries and joint venture provided by the Group.

#### (iv) Liquidity risk

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

#### (v) Market risk

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

#### 1) Currency risk

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

The borrowing interest is denominated by the principal's currency. The borrowing currencies are the same as the Group's operating cash flows which mainly are NTD, USD and HKD.

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

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

#### 2) Interest rate risk

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

#### 3) Other market price risk

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

#### (ab) 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 Group 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, 2020, the Group's capital management strategy is consistent with the prior year as of December 31, 2019. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, is as follows:

|                                 | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities               | \$ 28,785,248                | 27,185,611                   |
| Less: Cash and cash equivalents | <u>(4,213,805)</u>           | <u>(3,700,547)</u>           |
| Net debt                        | 24,571,443                   | 23,485,064                   |
| Total equity                    | <u>16,002,072</u>            | <u>15,742,091</u>            |
| Total capital                   | <b><u>\$ 40,573,515</u></b>  | <b><u>39,227,155</u></b>     |
| Debt-to-capital ratio           | <b><u>60.56 %</u></b>        | <b><u>59.87 %</u></b>        |

(Continued)

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

**(7) Related-party transactions:**

(a) The ultimate parent company

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

(b) Names and relationship with related parties

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

| <u>Name of Related Party</u>                                                   | <u>Relationship with the Group</u>       |
|--------------------------------------------------------------------------------|------------------------------------------|
| The Splendor Hospitality International Co., Ltd.<br>(The Splendor Hospitality) | Joint ventures                           |
| CMAAN Health Co., Ltd. (CMAAN Health)                                          | Joint ventures                           |
| Hua-Pu Development Co., Ltd. (Hua-Pu Development)                              | Joint ventures                           |
| Amida Trustlink Assets Management Co., Ltd.<br>(Amida Trustlink Assets)        | Associates                               |
| Keng-Hsin Urban Renewal Co., Ltd.<br>(Keng-Hsin Urban Renewal)                 | Associate of subsidiaries                |
| ADVANCISION (CAYMAN) Industries Co., Ltd.<br>(ADVANCISION (CAYMAN))            | Associate of subsidiaries                |
| Beyond Fitness Co., Ltd. (Beyond Fitness)                                      | Associate of subsidiaries                |
| Acore Material Technology Co., Ltd.<br>(Acore Material Technology)             | Associate of subsidiaries                |
| Fantasystory Inc.                                                              | Associate of subsidiaries                |
| Fuzhou Aprec Mechanical and Electrical Co., Ltd.<br>(Fuzhou Aprec)             | Subsidiaries of subsidiaries' associates |
| Advancision Corporation (Advancision)                                          | Subsidiaries of subsidiaries' associates |
| Chain-Yuan Investment Co., Ltd. (Chain-Yuan Investment)                        | Other related parties                    |
| San Lien Technology Corp. (San Lien Technology)                                | Other related parties                    |
| Kemitek Industrial Corp. (Kemitek Industrial)                                  | Other related parties                    |
| CMP PUJEN Foundation for Arts and Culture (Foundation)                         | Other related parties                    |
| San Lien Educational Foundation (San Lien Foundation)                          | Other related parties                    |
| Pu Yuan Construction Co., Ltd. (Pu Yuan Construction)                          | Other related parties                    |
| Hao Bao Investment Co., Ltd. (Hao Bao Investment)                              | Other related parties                    |
| Rui Hua Investment Co., Ltd. (Rui Hua Investment)                              | Other related parties                    |
| Meteorological Application and Development Foundation<br>(MADF)                | Other related parties                    |
| Gee Lien Resource Development Corp. (Gee Lien Resource)                        | Other related parties                    |
| Mr. Ming Shiann, Ho                                                            | Other related parties                    |
| Mr. Ting Fung, Lin                                                             | Key Management                           |

(Continued)

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

(c) Significant transactions with related parties

(i) Sales to related parties

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

|                       | <b>Sales</b>                           |              | <b>Notes and Accounts Receivables</b> |                     |
|-----------------------|----------------------------------------|--------------|---------------------------------------|---------------------|
|                       | <b>For the Years Ended December 31</b> |              | <b>December 31,</b>                   | <b>December 31,</b> |
|                       | <b>2020</b>                            | <b>2019</b>  | <b>2020</b>                           | <b>2019</b>         |
| Associates            | \$ 4,486                               | 5,438        | 797                                   | 498                 |
| Joint ventures        | 32                                     | 7            | -                                     | -                   |
| Other related parties | 877                                    | 270          | 181                                   | 17                  |
|                       | <u>\$ 5,395</u>                        | <u>5,715</u> | <u>978</u>                            | <u>515</u>          |

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

(ii) Purchases from related parties

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

|                       | <b>Purchases</b>                       |               | <b>Notes and Accounts Payable</b> |                     |
|-----------------------|----------------------------------------|---------------|-----------------------------------|---------------------|
|                       | <b>For the Years Ended December 31</b> |               | <b>December 31,</b>               | <b>December 31,</b> |
|                       | <b>2020</b>                            | <b>2019</b>   | <b>2020</b>                       | <b>2019</b>         |
| Associates            | \$ 55,549                              | 82,018        | 26,026                            | 29,434              |
| Joint ventures        | 17                                     | -             | -                                 | -                   |
| Other related parties | 3,385                                  | 2,688         | 641                               | 2,823               |
|                       | <u>\$ 58,951</u>                       | <u>84,706</u> | <u>26,667</u>                     | <u>32,257</u>       |

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

(Continued)

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

(iii) Leases

1) Rental expenses

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

|                        | <b>Rental Expenses</b>                 |              |
|------------------------|----------------------------------------|--------------|
|                        | <b>For the Years Ended December 31</b> |              |
|                        | <b>2020</b>                            | <b>2019</b>  |
| Joint ventures         | \$ -                                   | 12           |
| Other related parties: |                                        |              |
| Mr. Ming Shiann, Ho    | 2,432                                  | 2,432        |
| Others                 | 571                                    | 596          |
|                        | <b>\$ 3,003</b>                        | <b>3,040</b> |

|                       | <b>Guarantee Deposit Paid</b>                                        |                          |
|-----------------------|----------------------------------------------------------------------|--------------------------|
|                       | <b>(Recognized under other current non-current financial assets)</b> |                          |
|                       | <b>December 31, 2020</b>                                             | <b>December 31, 2019</b> |
| Other related parties | <b>\$ 443</b>                                                        | <b>443</b>               |

2) Rental revenues

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

|                        | <b>Rental Revenues</b>                 |              |
|------------------------|----------------------------------------|--------------|
|                        | <b>For the Years Ended December 31</b> |              |
|                        | <b>2020</b>                            | <b>2019</b>  |
| Associates             | \$ 283                                 | 311          |
| Other related parties: |                                        |              |
| Foundation             | 1,223                                  | 1,342        |
| Others                 | 60                                     | 60           |
|                        | <b>\$ 1,566</b>                        | <b>1,713</b> |

|            | <b>Guarantee Deposit Received</b>                       |                          |
|------------|---------------------------------------------------------|--------------------------|
|            | <b>(Recognized under other non-current liabilities)</b> |                          |
|            | <b>December 31, 2020</b>                                | <b>December 31, 2019</b> |
| Associates | <b>\$ 300</b>                                           | <b>300</b>               |

(Continued)

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

(iv) Providing services to related party

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

|                | <b>Service Revenues</b>                |              |
|----------------|----------------------------------------|--------------|
|                | <b>For the Years Ended December 31</b> |              |
|                | <b>2020</b>                            | <b>2019</b>  |
| Associates     | \$ 300                                 | 905          |
| Joint ventures | 7,039                                  | 5,943        |
|                | <b>\$ 7,339</b>                        | <b>6,848</b> |

(v) Non-performing receivables

|                          | <b>Total Claims</b>      |                          |
|--------------------------|--------------------------|--------------------------|
|                          | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
| Joint ventures:          |                          |                          |
| The Splendor Hospitality | <b>\$ 796,845</b>        | <b>796,845</b>           |

|                          | <b>Costs of Claims</b>   |                          |
|--------------------------|--------------------------|--------------------------|
|                          | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
| Joint ventures:          |                          |                          |
| The Splendor Hospitality | <b>\$ 575,000</b>        | <b>575,000</b>           |

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

(vi) Guarantees and endorsements

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

|                          | <b>Borrowing Limits</b>  |                          |
|--------------------------|--------------------------|--------------------------|
|                          | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
| Joint ventures:          |                          |                          |
| The Splendor Hospitality | \$ 1,900,000             | 1,900,000                |
| Others                   | 45,680                   | 45,680                   |
|                          | <b>\$ 1,945,680</b>      | <b>1,945,680</b>         |

(Continued)

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

|                          | <b>Actual Usage Amount</b>   |                              |
|--------------------------|------------------------------|------------------------------|
|                          | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
| Joint ventures:          |                              |                              |
| The Splendor Hospitality | \$ 1,620,000                 | 1,640,000                    |
| Others                   | 45,680                       | 45,680                       |
|                          | <b>\$ 1,665,680</b>          | <b>1,685,680</b>             |

(vii) Guarantee for bank borrowings

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

(viii) Property transaction

The information on acquisitions of assets (including capitalized costs from development projects, which was recognized under other non-current assets) is as follows:

|                       | <b>For the Years Ended December 31</b> |             |
|-----------------------|----------------------------------------|-------------|
|                       | <b>2020</b>                            | <b>2019</b> |
| Other related parties | \$ 1,714                               | 1,315       |

The information on construction in retention for development projects to be paid by the Group is as follows:

|                       | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-----------------------|------------------------------|------------------------------|
| Other related parties | \$ 318                       | 138                          |

(ix) Other transactions

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

|                        | <b>Donation</b>                                 |             |
|------------------------|-------------------------------------------------|-------------|
|                        | <b>For the Years Ended December 31<br/>2020</b> | <b>2019</b> |
| Other related parties: |                                                 |             |
| Foundation             | \$ 5,595                                        | 12,535      |

2) The information on management services provided by related parties is as follows:

|                        | <b>Management Service Expenses</b>              |             |
|------------------------|-------------------------------------------------|-------------|
|                        | <b>For the Years Ended December 31<br/>2020</b> | <b>2019</b> |
| Other related parties: |                                                 |             |
| Foundation             | \$ 3,500                                        | 600         |

(Continued)



# CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

|                       | <b>Other Expenses</b>                  |             |
|-----------------------|----------------------------------------|-------------|
|                       | <b>For the Years Ended December 31</b> |             |
|                       | <b>2020</b>                            | <b>2019</b> |
| Associates            | -                                      | 5           |
| Joint ventures        | 33                                     | 83          |
| Other related parties | 89                                     | 84          |
|                       | <b>\$ 122</b>                          | <b>172</b>  |

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

|                          | <b>Interest Revenues</b>               |               |
|--------------------------|----------------------------------------|---------------|
|                          | <b>For the Years Ended December 31</b> |               |
|                          | <b>2020</b>                            | <b>2019</b>   |
| Joint ventures:          |                                        |               |
| The Splendor Hospitality | \$ 13,080                              | 9,736         |
| Others                   | 325                                    | 243           |
|                          | <b>\$ 13,405</b>                       | <b>13,411</b> |

- 5) Other receivables and advance payments from related parties

|                         | <b>Other Receivables<br/>(including advance payments)</b> |                              |
|-------------------------|-----------------------------------------------------------|------------------------------|
|                         | <b>December 31,<br/>2020</b>                              | <b>December 31,<br/>2019</b> |
| Associates:             |                                                           |                              |
| Keng-Hsin Urban Renewal | \$ 35,114                                                 | 27,773                       |
| Others                  | 95                                                        | 53                           |
| Joint ventures          | 77                                                        | 96                           |
| Other related parties   | 122                                                       | 238                          |
|                         | <b>\$ 35,408</b>                                          | <b>28,160</b>                |

- 6) Other payables and advance receipts from related parties

|                       | <b>Other Payables<br/>(including advance receipts)</b> |                              |
|-----------------------|--------------------------------------------------------|------------------------------|
|                       | <b>December 31,<br/>2020</b>                           | <b>December 31,<br/>2019</b> |
| Associates            | \$ 8,384                                               | 12,062                       |
| Joint ventures        | 2,514                                                  | 97                           |
| Other related parties | 25                                                     | 1,307                        |
| Key management        | 85                                                     | 25                           |
|                       | <b>\$ 11,008</b>                                       | <b>13,491</b>                |

(Continued)

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

(d) Key management transactions

The compensation of key management is as follows:

|                              | <b>For the Years Ended December 31</b> |                |
|------------------------------|----------------------------------------|----------------|
|                              | <b>2020</b>                            | <b>2019</b>    |
| Short-term employee benefits | \$ 124,780                             | 106,400        |
| Post-employment benefits     | 6,573                                  | 6,104          |
|                              | <b>\$ 131,353</b>                      | <b>112,504</b> |

**(8) Pledged assets**

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

| <b>Pledged Assets</b>                        | <b>Object</b>                                                 | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------------------------------|---------------------------------------------------------------|------------------------------|------------------------------|
| Land (including other non-current assets)    | The credit limits of long-term and short-term bank borrowings | \$ 1,424,638                 | 1,272,637                    |
| Buildings                                    | "                                                             | 319,590                      | 334,528                      |
| Investment properties                        | "                                                             | 637,021                      | 817,923                      |
| Inventories—Land held for development        | "                                                             | 5,790,877                    | 5,865,338                    |
| Inventories—Construction in progress         | "                                                             | 5,330,961                    | 2,850,050                    |
| Inventories—Buildings and land held for sale | The credit limits of short-term borrowings                    | 2,226,801                    | 3,776,433                    |
| Other current financial assets               | Bank acceptance bills                                         | 42,090                       | 27,636                       |
| "                                            | Trusts                                                        | 939,207                      | 606,649                      |
|                                              |                                                               | <b>\$ 16,711,185</b>         | <b>15,551,194</b>            |

**(9) Significant commitments and contingencies**

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

(i) The unrecognized contractual commitment from contracts of buildings for future operational use, selling and purchasing of equipment, decorating constructions, and engineering constructions entered into by the Group is as follows:

|                                           | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-------------------------------------------|------------------------------|------------------------------|
| Total contract price                      | \$ 11,020,485                | 5,153,812                    |
| Total amounts paid under contracts (Note) | \$ 3,787,659                 | 1,331,255                    |

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

(Continued)

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

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

|                                                                                        | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Total contract price                                                                   | <b>\$ 15,265,856</b>         | <b>10,032,583</b>            |
| Total amounts received under contracts (recognized under current contract liabilities) | <b>\$ 2,434,499</b>          | <b>1,340,994</b>             |

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

|                                                                   | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-------------------------------------------------------------------|------------------------------|------------------------------|
| Total contract price                                              | <b>\$ 200,944</b>            | <b>200,944</b>               |
| Total amounts paid under contracts (recognized under prepayments) | <b>\$ 116,570</b>            | <b>116,570</b>               |

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

|                                                                                                                    | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|--------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Security deposits of joint construction projects (recognized under other current and non-current financial assets) | <b>\$ 352,223</b>            | <b>283,614</b>               |

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

|                                                                                     | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Security deposits (recognized under other current and non-current financial assets) | <b>\$ 97,289</b>             | <b>97,311</b>                |

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

|                                                                                        | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Total contract price                                                                   | <b>\$ 283,842</b>            | <b>279,342</b>               |
| Total amounts paid under contracts (recognized under inventories—prepayments for land) | <b>\$ 166,995</b>            | <b>121,228</b>               |

- (vii) The Group 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 Group agreed to pay development royalty amounting to \$126,000 thousand. As of December 31, 2020 and 2019, the accumulated royalty payments amounted to \$126,000 thousand, respectively, which was recognized under other non-current assets and transferred to right-of-use assets when the first application of IFRS16 on January 1, 2019, and was depreciated by the contract term.

(Continued)

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

(b) Contingencies

- (i) Please refer to Note 7 for the Group's guarantees and endorsements for related parties' loans as of December 31, 2020 and 2019.
- (ii) Contingencies for the Company and its subsidiary, Sunflower Investment, regarding the stages of Daguangsan tax petition for real estate transaction and non-performing receivables is as follows:

| <u>Litigant</u>      | <u>Issue</u>                                                                                                                                                                                                                                                                                                                                                   | <u>Current Status</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Company          | Filing a petition for the administrative penalty of the value-added tax in the Daguangsan real estate transaction which was approved by National Taxation Bureau of Taipei                                                                                                                                                                                     | National Taxation Bureau of Taipei has approved the additional value-added tax and the regarding penalty amounting 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Sunflower Investment | Since 2011, Sunflower Investment had received several administrative penalties approved by National Tax Bureau of Taipei which arose from the withholding tax, value-added tax, enterprise income tax and undistributed earning tax of the Daguangsan non-performing receivables. The Company has sought administrative remedy for the aforementioned verdict. | National Tax Bureau of Taipei reduced the approved value-added tax and the regarding penalties to the total amount of \$564,452 thousand on June 6, 2014, which arose from Daguangsan non-performing receivables. The aforementioned amount had been paid in the amount of \$46,174 thousand. The Company was dissatisfied with the verdicts and filed the petitions of the review, appeal and administrative litigation, which are being processed by the authority. The administrative litigation was filed against Taipei High Administrative Court on December 24, 2013. In accordance with the Administrative Regulation Article 177, Section 1 and 2, Taipei High Administrative Court suspended the proceeding of the lawsuit on July 25, 2016. Considering the risk of losing the lawsuit in the future, the Company assessed the aforementioned possible losses based on the conservative principle and estimate the contingent liabilities. For details of regarding contingencies, please refer to Note 6(p). |

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

**(12) Other:**

- (a) The Securities and Futures Investors Protection Center (SFIPC) filed a criminal incidental civil action on behalf of the Company against the former chairman of the Company, Mr. Ming Shiann, Ho. The appeal was handed back over to the High Court for reconsideration on August 22, 2019, which is in trial in the Tainan Branch of Taiwan High Court.
- (b) The SFIPC filed a lawsuit against the Company, its directors and supervisors, and certain employees of the Group. On March 27, 2019, the Supreme Court vacated the original adjudication 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, which is now in trial in the Supreme court.

(Continued)

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

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

|                            | By function | For the Years Ended December 31 |                    |           |                 |                    |           |
|----------------------------|-------------|---------------------------------|--------------------|-----------|-----------------|--------------------|-----------|
|                            |             | 2020                            |                    |           | 2019            |                    |           |
|                            |             | Operating Costs                 | Operating Expenses | Total     | Operating Costs | Operating Expenses | Total     |
| <b>By item</b>             |             |                                 |                    |           |                 |                    |           |
| Employee benefits          |             |                                 |                    |           |                 |                    |           |
| Salary                     |             | 632,859                         | 559,151            | 1,192,010 | 715,419         | 571,696            | 1,287,115 |
| Labor and health insurance |             | 48,321                          | 43,733             | 92,054    | 62,104          | 49,441             | 111,545   |
| Pension                    |             | 16,405                          | 17,573             | 33,978    | 50,739          | 35,239             | 85,978    |
| Remuneration of directors  |             | -                               | 53,926             | 53,926    | -               | 45,961             | 45,961    |
| Others                     |             | 65,630                          | 42,459             | 108,089   | 71,548          | 45,387             | 116,935   |
| Depreciation               |             | 670,849                         | 278,735            | 949,584   | 706,971         | 298,426            | 1,005,397 |
| Amortization               |             | 1,821                           | 11,097             | 12,918    | 1,571           | 26,710             | 28,281    |

(Continued)

# CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (13) Other disclosures:

#### (a) Information on significant transactions:

The following is the information on significant transactions for the years ended December 31, 2020, required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

#### (i) Loans to other parties:

(In Thousands of NTD)

| No. | Lender            | Borrower           | Financial Statement Account                  | Related Parties | Highest Balance During the Period | Ending Balance (Note 1) | Actual Borrowing Amount | Interest Rate | Nature for Financing (Note 2) | Transaction Amount for Business | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral |       | Financing Limit for Each Borrower (Note 3) | Aggregate Financing Limit (Note 4) |
|-----|-------------------|--------------------|----------------------------------------------|-----------------|-----------------------------------|-------------------------|-------------------------|---------------|-------------------------------|---------------------------------|----------------------------------|---------------------------------|------------|-------|--------------------------------------------|------------------------------------|
|     |                   |                    |                                              |                 |                                   |                         |                         |               |                               |                                 |                                  |                                 | Item       | Value |                                            |                                    |
| 0   | The Company       | The Hotel National | Accounts receivable due from related parties | Yes             | 53,615                            | 53,615                  | 53,615                  | 1.15%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 3,607,918                                  | 4,810,557                          |
| 1   | Tianjin CMT       | Suzhou CMB         | Accounts receivable due from related parties | Yes             | 219,000                           | 219,000                 | 219,000                 | 0.75%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 328,948                                    | 438,597                            |
| 1   | Tianjin CMT       | CMW (Tianjin)      | Accounts receivable due from related parties | Yes             | 197,100                           | 197,100                 | 197,100                 | 0.75%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 328,948                                    | 438,597                            |
| 2   | FAR HSING (SAMOA) | Atrans Precision   | Accounts receivable due from related parties | Yes             | 30,250                            | -                       | -                       | 1.00%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 36,792                                     | 49,056                             |
| 3   | Suzhou CMS        | CMH                | Accounts receivable due from related parties | Yes             | 219,000                           | 219,000                 | 219,000                 | 0.75%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 1,139,156                                  | 1,518,874                          |

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

Note 2: 1. For business transactions.

2. For the necessity of short-term financing.

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

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

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

#### (ii) Guarantees and endorsements for other parties:

(In Thousands of NTD)

| No. | Name of Guarantor/Endorse | Counter-party of Guarantee and Endorsement |                                        | 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                                      | 4,810,557                                                                              | 220,000                                                           | 110,000                 | 62,500                  | -                                                | 0.91 %                                                                                                      | 6,013,197                                               | Y                                                                                         | N                                                                                         | N                                                                                           |
| 0   | The Company               | The Hotel National                         | 1                                      | 4,810,557                                                                              | 100,000                                                           | 50,000                  | 40,000                  | -                                                | 0.42 %                                                                                                      | 6,013,197                                               | Y                                                                                         | N                                                                                         | N                                                                                           |
| 0   | The Company               | Shangrila Tourism                          | 1                                      | 4,810,557                                                                              | 702,500                                                           | 652,500                 | 431,500                 | -                                                | 5.43 %                                                                                                      | 6,013,197                                               | Y                                                                                         | N                                                                                         | N                                                                                           |
| 0   | The Company               | The Splendor Hospitality                   | 2                                      | 4,810,557                                                                              | 2,150,000                                                         | 1,900,000               | 1,620,000               | -                                                | 15.80 %                                                                                                     | 6,013,197                                               | N                                                                                         | N                                                                                         | N                                                                                           |
| 0   | The Company               | CMAAN Health                               | 2                                      | 4,810,557                                                                              | 45,680                                                            | 45,680                  | 45,680                  | -                                                | 0.38 %                                                                                                      | 6,013,197                                               | N                                                                                         | N                                                                                         | N                                                                                           |
| 1   | CMAI N.A.                 | Pilot                                      | 4                                      | 51,753                                                                                 | 57,228                                                            | 47,129                  | 47,129                  | -                                                | 91.07 %                                                                                                     | 51,753                                                  | N                                                                                         | N                                                                                         | N                                                                                           |
| 2   | CMI                       | UEA                                        | 3                                      | 4,023,269                                                                              | 1,524,432                                                         | 1,229,597               | 1,229,597               | -                                                | 12.22 %                                                                                                     | 5,029,087                                               | N                                                                                         | N                                                                                         | N                                                                                           |

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- Note 1: 1.The Company held directly or indirectly more than 50% of the shares with voting rights.  
 2.Due to the joint investment relationship, all of the shareholders of the Group endorse the company in accordance with their investment ratio.  
 3.The company held directly or indirectly more than 50% of the shares with voting rights.  
 4.The company held directly or indirectly more than 90% of the shares with voting rights.
- Note 2: Balance of guarantees and endorsements as of the reporting date was within the credit limit approved by the Board of Directors.
- Note 3: The following three situations are filled in Y: the endorsement of the subsidiary by the Company; the endorsement of the Company by the subsidiary and the endorsement to the company located in Mainland China.
- Note 4: The guarantor's total amount available for guarantee and endorsement shall not exceed the percentage mentioned below of its net worth: The Company 40%, CMAI N.A.100%, and CMI 40%.
- Note 5: The guarantor's total amount available for guarantee and endorsement shall not exceed the percentage mentioned below of its net worth: The Company 50%, CMAI N.A.100%, and CMI 50%.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of NTD)

| Name of Holder       | Category and Name of Security           | Relationship with Issued Company | Account                               | Ending Balance |                |                             |            | Highest Percentage of Ownership (%) | Note |
|----------------------|-----------------------------------------|----------------------------------|---------------------------------------|----------------|----------------|-----------------------------|------------|-------------------------------------|------|
|                      |                                         |                                  |                                       | Shares/Units   | 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    | 3.12 %                              |      |
| The Company          | YUHUA Venture Capital Co., Ltd.         | -                                | Non-current financial assets at FVOCI | 73,173         | 435            | 1.25 %                      | 435        | 1.25 %                              |      |
| The Company          | FUHUA Venture Capital Co., Ltd.         | -                                | Non-current financial assets at FVOCI | 51,975         | 1,574          | 1.67 %                      | 1,574      | 1.67 %                              |      |
| The Company          | GUANGYUAN Investment Co., Ltd.          | -                                | Non-current financial assets at FVOCI | 3,750,000      | 31,580         | 3.91 %                      | 31,580     | 3.91 %                              |      |
| The Company          | DEVELOPMENT Venture Capital Co., Ltd.   | The Company is the legal person  | Non-current financial assets at FVOCI | 4,400,000      | 25,935         | 4.00 %                      | 25,935     | 4.00 %                              |      |
| The Company          | Pacific Electric Wire & Cable Co., Ltd. | -                                | Current financial assets at FVTPL     | 81,666         | -              | 0.01 %                      | -          | 0.01 %                              |      |
| Sunflower Investment | YungTay Engineering Co., Ltd.           | -                                | Non-current financial assets at FVOCI | 1,001,000      | 62,763         | 0.24 %                      | 62,763     | 0.24 %                              |      |
| Sunflower Investment | i1. COM, INC.                           | -                                | Non-current financial assets at FVOCI | 100,000        | -              | 0.52 %                      | -          | 0.52 %                              |      |
| The Hotel National   | Century National Technology Co., Ltd.   | -                                | Non-current financial assets at FVOCI | 35,600         | -              | 2.34 %                      | -          | 2.34 %                              |      |
| Atrans Precision     | Acore Material                          | -                                | Non-current financial assets at FVOCI | 42,466         | -              | 2.12 %                      | -          | 2.12 %                              |      |

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

(In Thousands of NTD)

| Name of Company | Related Party | Nature of Relationship | Transaction Details |           |                                     |               | Transactions with Terms Different from Others |               | Notes/Accounts Receivable (Payable) |                                                         | Note |
|-----------------|---------------|------------------------|---------------------|-----------|-------------------------------------|---------------|-----------------------------------------------|---------------|-------------------------------------|---------------------------------------------------------|------|
|                 |               |                        | Purchase/Sale       | Amount    | Percentage of Total Purchases/Sales | Payment Terms | Unit Price                                    | Payment Terms | Ending Balance                      | Percentage of Total Notes/Accounts Receivable (Payable) |      |
| Suzhou CMS      | CMI           | Subsidiaries           | Sale                | 815,476   | 30.11 %                             | 120-180 days  | -                                             | -             | 1,337,050                           | 67.85%                                                  |      |
| CMW (Tianjin)   | CMW (C.I.)    | Subsidiaries           | Sale                | 1,042,064 | 29.67 %                             | 120-180 days  | -                                             | -             | 1,726,917                           | 57.77%                                                  |      |

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

## CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(In Thousands of NTD/In CNY)

| Name of Company | Counter-party | Nature of Relationship | Ending Balance                                                | Turnover Rate | Overdue |              | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-----------------|---------------|------------------------|---------------------------------------------------------------|---------------|---------|--------------|---------------------------------------|-------------------------|
|                 |               |                        |                                                               |               | Amount  | Action Taken |                                       |                         |
| CMI             | CMB (H.K.)    | Parent company         | Accounts receivable due from related parties, other 164,159   | -             | -       | -            | -                                     | -                       |
| CMW (C.I.)      | CMI           | Subsidiaries           | Accounts receivable due from related parties, other 2,211,513 | -             | -       | -            | CNY 60,400,000                        | -                       |
| CMP (H.K.)      | CMI           | Subsidiaries           | Accounts receivable due from related parties, other 354,923   | -             | -       | -            | -                                     | -                       |
| CMW (Tianjin)   | CMW (C.I.)    | Subsidiaries           | Accounts receivable due from related parties 1,726,917        | 0.64          | -       | -            | CNY 83,104,800                        | -                       |
| Tianjin CMT     | CMI           | Subsidiaries           | Accounts receivable due from related parties 270,603          | -             | -       | -            | -                                     | -                       |
| Tianjin CMT     | CMW (Tianjin) | Affiliates             | Accounts receivable due from related parties, other 197,100   | -             | -       | -            | -                                     | -                       |
| Tianjin CMT     | Suzhou CMB    | Affiliates             | Accounts receivable due from related parties, other 219,000   | -             | -       | -            | -                                     | -                       |
| Suzhou CMS      | CMI           | Subsidiaries           | Accounts receivable due from related parties 1,337,050        | 0.62          | -       | -            | CNY 62,159,473                        | -                       |
| Suzhou CMS      | CMH           | Affiliates             | Accounts receivable due from related parties, other 219,000   | -             | -       | -            | -                                     | -                       |

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of NTD)

| No.<br>(Note 1) | Name of Company      | Name of Counter-party  | Nature of Relationship<br>(Note 2) | Intercompany Transactions (Note 3)           |           |               |                                                                       |
|-----------------|----------------------|------------------------|------------------------------------|----------------------------------------------|-----------|---------------|-----------------------------------------------------------------------|
|                 |                      |                        |                                    | Account                                      | Amount    | Trading Terms | Percentage of the Total Consolidated Revenue or Total Assets (Note 4) |
| 0               | China Metal Products | Atrans Precision       | 1                                  | Operating revenue                            | 36,527    | 60~90 days    | 0.28%                                                                 |
| 0               | China Metal Products | CMJ                    | 1                                  | Operating revenue                            | 17,536    | OA 90 days    | 0.13%                                                                 |
| 1               | CMW (Tianjin)        | CMW (C.I.)             | 2                                  | Operating revenue                            | 1,042,064 | 120~180 days  | 7.94%                                                                 |
| 3               | Suzhou CMS           | CMI                    | 2                                  | Operating revenue                            | 815,476   | 120~180 days  | 6.21%                                                                 |
| 4               | Suzhou CMB           | CMB (H.K.)             | 2                                  | Operating revenue                            | 19,609    | 120~180 days  | 0.15%                                                                 |
| 4               | Suzhou CMB           | Suzhou CMS             | 3                                  | Operating revenue                            | 51,844    | 120~180 days  | 0.39%                                                                 |
| 4               | Suzhou CMB           | CMI                    | 2                                  | Operating revenue                            | 76,783    | 120~180 days  | 0.58%                                                                 |
| 5               | National Management  | China Metal Products   | 2                                  | Operating revenue                            | 66,168    | OA 25 days    | 0.50%                                                                 |
| 7               | CMW(C.I.)            | CMAI                   | 3                                  | Operating revenue                            | 33,767    | 90~120 days   | 0.26%                                                                 |
| 11              | CMAI N.A.            | CMAI                   | 2                                  | Operating revenue                            | 33,005    | 90~120 days   | 0.25%                                                                 |
| 11              | CMAI N.A.            | CMW(C.I.)              | 3                                  | Operating revenue                            | 10,144    | 90~120 days   | 0.08%                                                                 |
| 12              | Pu Shen Construction | PUJEN Land Development | 3                                  | Operating revenue                            | 32,379    | At Sight      | 0.25%                                                                 |
| 15              | CMJ                  | CMI                    | 3                                  | Operating revenue                            | 15,804    | 90~120 days   | 0.12%                                                                 |
| 16              | The Hotel National   | PUJEN Land Development | 3                                  | Operating revenue                            | 10,176    | At Sight      | 0.08%                                                                 |
| 1               | CMW (Tianjin)        | CMW(C.I.)              | 2                                  | Accounts receivable due from related parties | 1,726,917 | 120~180 days  | 3.86%                                                                 |
| 2               | Tianjin CMT          | CMI                    | 2                                  | Accounts receivable due from related parties | 270,603   | 120~180 days  | 0.60%                                                                 |
| 2               | Tianjin CMT          | CMW (Tianjin)          | 3                                  | Accounts receivable due from related parties | 43,560    | 120~180 days  | 0.10%                                                                 |
| 3               | Suzhou CMS           | CMI                    | 2                                  | Accounts receivable due from related parties | 1,337,050 | 120~180 days  | 2.99%                                                                 |
| 4               | Suzhou CMB           | CMB (H.K.)             | 2                                  | Accounts receivable due from related parties | 46,474    | 120~180 days  | 0.10%                                                                 |
| 4               | Suzhou CMB           | CMI                    | 2                                  | Accounts receivable due from related parties | 92,956    | 120~180 days  | 0.21%                                                                 |
| 7               | CMW(C.I.)            | CMAI                   | 3                                  | Accounts receivable due from related parties | 10,763    | 90~120 days   | 0.02%                                                                 |
| 11              | CMAI (N.A.)          | CMAI                   | 2                                  | Accounts receivable due from related parties | 12,459    | 90~120 days   | 0.03%                                                                 |
| 0               | China Metal Products | The Hotel National     | 1                                  | Other receivables due from related parties   | 53,917    | -             | 0.12%                                                                 |



# CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

| No.<br>(Note 1) | Name of Company           | Name of Counter-party     | Nature of Relationship<br>(Note 2) | Intercompany Transactions (Note 3)                   |           |               |                                                                       |
|-----------------|---------------------------|---------------------------|------------------------------------|------------------------------------------------------|-----------|---------------|-----------------------------------------------------------------------|
|                 |                           |                           |                                    | Account                                              | Amount    | Trading Terms | Percentage of the Total Consolidated Revenue or Total Assets (Note 4) |
| 2               | Tianjin CMT               | CMW (Tianjin)             | 3                                  | Other receivables due from related parties           | 197,100   | -             | 0.44%                                                                 |
| 2               | Tianjin CMT               | Suzhou CMS                | 3                                  | Other receivables due from related parties           | 11,412    | -             | 0.03%                                                                 |
| 2               | Tianjin CMT               | Suzhou CMB                | 3                                  | Other receivables due from related parties           | 219,000   | -             | 0.49%                                                                 |
| 3               | Suzhou CMS                | CMH                       | 3                                  | Other receivables due from related parties           | 219,000   | -             | 0.49%                                                                 |
| 6               | CMI                       | CMB (H.K.)                | 1                                  | Other receivables due from related parties           | 164,159   | -             | 0.37%                                                                 |
| 7               | CMW (C.I.)                | CMW (Tianjin)             | 1                                  | Other receivables due from related parties           | 46,575    | -             | 0.10%                                                                 |
| 7               | CMW (C.I.)                | CMI                       | 2                                  | Other receivables due from related parties           | 2,211,513 | -             | 4.94%                                                                 |
| 9               | CMP (H.K.)                | CMI                       | 2                                  | Other receivables due from related parties           | 354,923   | -             | 0.79%                                                                 |
| 13              | CMAI                      | CMAI (N.A.)               | 1                                  | Other receivables due from related parties           | 22,747    | -             | 0.05%                                                                 |
| 10              | CHINGENG Land Development | PUJEN Land Development    | 2                                  | Other receivables due from related parties           | 35,102    | -             | 0.08%                                                                 |
| 14              | PUJEN Land Development    | CHINGENG Land Development | 1                                  | Other receivables due from related parties           | 13,384    | -             | 0.03%                                                                 |
| 8               | CMB (H.K.)                | Suzhou CMB                | 1                                  | Other long-term receivables due from related parties | 24,864    | -             | 0.06%                                                                 |

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

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

Note 2: Relationship is classified into three types:

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

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

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

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (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, 2020 |                         |                | Highest Percentage of Ownership During the Period | Net Income (Losses) of Investee | Share of Profits/Losses of Investee | Note                                             |
|------------------|--------------------------|------------------------|--------------------------------------------------------------------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------------------------|---------------------------------|-------------------------------------|--------------------------------------------------|
|                  |                          |                        |                                                                                            | December 31, 2020          | December 31, 2019 | Shares                          | Percentage of Ownership | Carrying Value |                                                   |                                 |                                     |                                                  |
| The Company      | UEA                      | British Virgin Islands | Investing in CMI                                                                           | 865,286                    | 865,286           | 667,820                         | 100.00 %                | 7,248,073      | 100.00 %                                          | 541,692                         | 541,692                             | Subsidiaries                                     |
| The Company      | Sunflower Investment     | Taiwan                 | Investing                                                                                  | 99,000                     | 99,000            | 67,006,291                      | 99.00 %                 | 920,427        | 99.00 %                                           | 46,022                          | 45,562                              | Subsidiaries                                     |
| The Company      | Atrans Precision         | Taiwan                 | Vehicle parts processing                                                                   | 247,218                    | 236,780           | 25,782,134                      | 72.24 %                 | 372,056        | 72.24 %                                           | (65,453)                        | (48,228)                            | Subsidiaries                                     |
| The Company      | CMJ                      | Japan                  | Cast iron product retailing                                                                | 4,887                      | 4,887             | 500                             | 83.33 %                 | 77,382         | 83.33 %                                           | 22,062                          | 18,385                              | Subsidiaries                                     |
| The Company      | CMAI                     | Hong Kong              | Vehicle parts retailing                                                                    | 15,466                     | 71,644            | 940,000                         | 94.00 %                 | 134,696        | 94.00 %                                           | 2,398                           | 2,254                               | Subsidiaries                                     |
| The Company      | Pu Sheng Construction    | Taiwan                 | Residents, commercial buildings and factories leasing and developing                       | 30                         | 30                | 3,000                           | 30.00 %                 | 239            | 30.00 %                                           | 11,100                          | (2,214)                             | Subsidiaries                                     |
| The Company      | PUJEN Land Development   | Taiwan                 | Residents, commercial buildings and factories leasing and developing                       | 2,003,067                  | 2,003,067         | 158,877,643                     | 56.65 %                 | 4,111,233      | 56.65 %                                           | 498,999                         | 247,078                             | Subsidiaries                                     |
| The Company      | Amida Trustlink Assets   | Taiwan                 | Real estate developing, leasing and financial claims acquiring from financial institutions | 44,576                     | 44,576            | 16,763,726                      | 35.21 %                 | (21,760)       | 35.21 %                                           | (758)                           | -                                   | Investees accounted for using equity method      |
| The Company      | The Hotel National       | Taiwan                 | International tourist hotel services                                                       | 1,305,233                  | 1,304,549         | 31,200,000                      | 100.00 %                | 746,172        | 100.00 %                                          | (40,481)                        | (42,372)                            | Subsidiaries                                     |
| The Company      | National Management      | Taiwan                 | Management and consulting services                                                         | 10,000                     | 10,000            | 1,000,000                       | 100.00 %                | 16,819         | 100.00 %                                          | 2,025                           | 2,025                               | Subsidiaries                                     |
| The Company      | The Splendor Hospitality | Taiwan                 | International tourist hotel services                                                       | 975,000                    | 975,000           | 97,500,000                      | 50.00 %                 | 253,251        | 50.00 %                                           | (128,840)                       | (77,499)                            | Joint ventures accounted for using equity method |

# CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

| Name of Investor       | Name of Investee                                                  | Location               | Main Businesses                                                                            | Original Investment Amount |                   | Balance as of December 31, 2020 |                         |                  | Highest Percentage of Ownership During the Period | Net Income (Losses) of Investee | Share of Profits/Losses of Investee | Note                                                                       |
|------------------------|-------------------------------------------------------------------|------------------------|--------------------------------------------------------------------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|------------------|---------------------------------------------------|---------------------------------|-------------------------------------|----------------------------------------------------------------------------|
|                        |                                                                   |                        |                                                                                            | December 31, 2020          | December 31, 2019 | Shares                          | Percentage of Ownership | Carrying Value   |                                                   |                                 |                                     |                                                                            |
| The Company            | Shangrila Tourism                                                 | Taiwan                 | Amusement park and hotel services                                                          | 359,470                    | 359,470           | 18,131,840                      | 80.00 %                 | 194,399          | 80.00 %                                           | (11,625)                        | (8,111)                             | Subsidiaries                                                               |
| The Company            | CMAAN Health                                                      | Taiwan                 | Management and consulting services                                                         | 50,000                     | 50,000            | 5,000,000                       | 50.00 %                 | 37,593           | 50.00 %                                           | (17,867)                        | (9,258)                             | Joint ventures accounted for using equity method                           |
| The Company            | InterContinental Taichung                                         | Taiwan                 | International tourist hotel services                                                       | 300                        | -                 | 30,000                          | 100.00 %                | 248              | 100.00 %                                          | (52)                            | (52)                                | Subsidiaries                                                               |
| The Company            | Calligraphy Greenway Plaza Co., Ltd. (Calligraphy Greenway Plaza) | Taiwan                 | Management and consulting services                                                         | 30,000                     | -                 | 3,000,000                       | 100.00 %                | 29,940           | 100.00 %                                          | (60)                            | (60)                                | Subsidiaries                                                               |
| Sunflower Investment   | PUJEN Land Development                                            | Taiwan                 | Residents, commercial buildings and factories leasing and developing                       | 280,768                    | 280,768           | 42,269,213                      | 15.07 %                 | 1,058,446        | 15.07 %                                           | 498,999                         |                                     | Subsidiaries of the Company                                                |
| Sunflower Investment   | Atrans Precision                                                  | Taiwan                 | Vehicle parts processing                                                                   | 77,836                     | 77,836            | 4,737,380                       | 13.27 %                 | 68,014           | 13.27 %                                           | (65,453)                        |                                     | Subsidiaries of the Company                                                |
| Sunflower Investment   | Amida Trustlink Assets                                            | Taiwan                 | Real estate developing, leasing and financial claims acquiring from financial institutions | -                          | -                 | 5,951,619                       | 12.50 %                 | (7,727)          | 12.50 %                                           | (758)                           |                                     | Investee 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 %                  | 28,747           | 4.46 %                                            | (68,063)                        |                                     | Investee accounted for using equity method                                 |
| Sunflower investment   | Fantasystory Inc.                                                 | Taiwan                 | Interior design, landscape design, and urban renewal                                       | 19,793                     | 19,793            | 1,742,746                       | 19.80 %                 | 18,133           | 19.80 %                                           | (8,673)                         |                                     | 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 295,917,151  | 82.55 %                                           | USD 24,015,661                  |                                     | Subsidiaries of UEA                                                        |
| CMI                    | CMI (BVI)                                                         | British Virgin Islands | Investing CMP (H.K.)                                                                       | USD 280,426                | USD 280,426       | 161                             | 100.00 %                | CNY1,196,638,954 | 100.00 %                                          | CNY 78,209,772                  |                                     | Subsidiaries of CMI                                                        |
| CMI                    | CMW (C.I.)                                                        | Cayman Islands         | Investing in CMW (Tianjin) and CMH                                                         | USD 75,156,500             | USD 75,156,500    | 50,000,000                      | 100.00 %                | CNY1,741,547,268 | 100.00 %                                          | CNY 53,739,281                  |                                     | 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 575,720,185  | 100.00 %                                          | CNY (10,032,189)                |                                     | 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 %                | CNY1,198,999,591 | 100.00 %                                          | CNY 78,209,772                  |                                     | Subsidiaries of CMI (BVI)                                                  |
| CMAI                   | CMAI Holding                                                      | USA                    | Investing                                                                                  | USD 8,328,644              | USD 8,328,644     | 10,000                          | 100.00 %                | USD 2,666,709    | 100.00 %                                          | USD 79,138                      |                                     | Subsidiaries of CMAI                                                       |
| CMAI Holding           | Pilot                                                             | USA                    | Assets leasing                                                                             | USD 8,328,644              | USD 8,328,644     | -                               | 100.00 %                | USD 2,666,709    | 100.00 %                                          | USD 79,138                      |                                     | Subsidiaries of CMAI Holding                                               |
| Pilot                  | CMAI (N.A.)                                                       | USA                    | Vehicle parts retailing                                                                    | USD 7,792,972              | USD 7,792,972     | 10,000                          | 100.00 %                | USD 1,817,170    | 100.00 %                                          | USD (18,197)                    |                                     | Subsidiaries of Pilot                                                      |
| Atrans Precision       | FAR HSING (SAMOA)                                                 | SAMOA                  | Investing                                                                                  | USD 3,922,055              | USD 4,922,055     | 3,922,055                       | 100.00 %                | 122,642          | 100.00 %                                          | (14,314)                        |                                     | Subsidiaries of Atrans Precision                                           |
| Atrans Precision       | Acore Material                                                    | Taiwan                 | Mechanical equipment, electronic parts and other equipment manufacturing                   | -                          | 31,000            | -                               | - %                     | -                | 21.23 %                                           | (8,192)                         |                                     | Non-current financial assets at FVOCI of Atrans Precision                  |
| FAR HSING (SAMOA)      | ADVANCISION (CAYMAN) Industries CO., LTD.                         | Cayman Islands         | Investing and cast iron product retailing                                                  | USD 4,959,029              | USD 4,959,029     | 9,068,414                       | 21.59 %                 | USD 4,165,572    | 21.59 %                                           | USD (2,302,466)                 |                                     | 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 %                 | 159              | 20.00 %                                           | 11,100                          |                                     | 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 %                 | 311,213          | 30.00 %                                           | (22,669)                        |                                     | 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                     | 72,500            | 7,250,000                       | 50.00 %                 | 69,355           | 50.00 %                                           | (270)                           |                                     | Subsidiaries of PUJEN Land Development                                     |
| PUJEN Land Development | PUJEN CHENGMEI Land Development                                   | Taiwan                 | Residents, commercial buildings and factories leasing and developing                       | 94,500                     | 59,500            | 9,450,000                       | 70.00 %                 | 69,065           | 70.00 %                                           | (9,757)                         |                                     | 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 %                 | 27,819           | 50.00 %                                           | (166)                           |                                     | 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 %                 | 48,600           | 20.00 %                                           | (11,625)                        |                                     | 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 %                 | 5,139            | 50.00 %                                           | 117                             |                                     | Joint ventures of PUJEN Land Development accounted for using equity method |
| PUJEN Land Development | Beyond Fitness                                                    | Taiwan                 | Sport training and other consulting service                                                | 4,050                      | 4,050             | 405,000                         | 36.82 %                 | 5,043            | 36.82 %                                           | 4,397                           |                                     | Investees of PUJEN Land Development accounted for using equity method      |

# CHINA METAL PRODUCTS CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

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

| Name of Investee             | Main Businesses                                                                                                                                                             | Total Amount of Paid-in Capital | Method of Investment (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2020 | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2020 | Net Income (Losses) of the Investee | Percentage of Ownership | Highest percentage of Ownership | Investment Income (Losses) (Notes 2,3) | Book Value (Note 3)      | Accumulated Remittance of Earnings in Current Period (Note 5) |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------------|---------------------------------------------------------------------|------------------|--------|-----------------------------------------------------------------------|-------------------------------------|-------------------------|---------------------------------|----------------------------------------|--------------------------|---------------------------------------------------------------|
|                              |                                                                                                                                                                             |                                 |                               |                                                                     | Outflow          | Inflow |                                                                       |                                     |                         |                                 |                                        |                          |                                                               |
| Tianjin CMT                  | Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling                                                                        | 854,400 (USD30,000)             | 2                             | 388,238                                                             | -                | -      | 388,238                                                               | (27,736) (CNY6,480)                 | 82.55%                  | 82.55%                          | (22,896) (CNY5,350)                    | 1,096,493 (CNY250,341)   | 82,542                                                        |
| Suzhou CMS                   | Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling                                                                        | 683,520 (USD24,000)             | 2                             | 423,406                                                             | -                | -      | 423,406                                                               | 371,339 (CNY86,761)                 | 82.55%                  | 82.55%                          | 306,434 (CNY71,597)                    | 3,798,057 (CNY867,136)   | 14,601                                                        |
| Suzhou CMB                   | Cast iron product designing, manufacturing and retailing                                                                                                                    | 2,335,360 (USD82,000)           | 2                             | -                                                                   | -                | -      | -                                                                     | (38,034) (CNY8,887)                 | 82.55%                  | 82.55%                          | (31,397) (CNY7,336)                    | 2,694,492 (CNY615,181)   | -                                                             |
| CMW (Tianjin)                | Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling                                                                                    | 911,360 (USD32,000)             | 2                             | -                                                                   | -                | -      | -                                                                     | 350,450 (CNY81,881)                 | 82.55%                  | 82.55%                          | 301,463 (CNY70,435)                    | 4,665,656 (CNY1,065,218) | -                                                             |
| 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 | 911,360 (USD32,000)             | 2                             | -                                                                   | -                | -      | -                                                                     | (15,972) (CNY3,732)                 | 82.55%                  | 82.55%                          | (13,185) (CNY3,081)                    | 957,437 (CNY218,593)     | -                                                             |
| Qinxin Trade                 | Vehicle parts retailing                                                                                                                                                     | -                               | 2 (Note 6)                    | -                                                                   | -                | -      | -                                                                     | (3,921) (USD133)                    | -%                      | 94.00%                          | (3,686) (USD125)                       | -                        | -                                                             |
| Qingdao Sourcing Specialists | Cast iron product retailing                                                                                                                                                 | 2,848 (USD100)                  | 2                             | -                                                                   | -                | -      | -                                                                     | 12,411 (JPY44,820)                  | 83.33%                  | 83.33%                          | 10,342 (JPY37,349)                     | 44,742 (JPY161,934)      | -                                                             |

(ii) Limitation on investment in Mainland China:

(In Thousands of NTD and USD)

| Accumulated Investment in Mainland China as of December 31, 2020 | Investment Amount Authorized by the Investment Commission, MOEA (Note 8) | Upper Limit on Investment (Note 4) |
|------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|
| 811,644                                                          | 5,941,526<br>(USD 208,621 )                                              | -                                  |

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

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

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

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

Note 4: The Company complies with the amended Permit 9704604680 'Investment or technical cooperation review principal in China', which obtained the certified documents of the operational scope of the headquarters from the Industrial Development Bureau, Ministry of Economic Affairs, with the valid period from March 3, 2020 to March 2, 2023. The restriction on the cumulative investment amount or proportion in China is not applicable.

Note 5: As of December 31, 2020, the company had obtained a surplus of \$2,285,662 thousand (USD80,255 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 cancellation of business registration of Qinxin Trade have been completed on June 22, 2020. And, the proceeds from the cancellation of shares have been remitted on December 31, 2020.

Note 7: The aforementioned investments have been eliminated in the consolidated financial statements.

Note 8: The amount in the table is translated by the spot rate on the financial reporting date.

(iii) Significant transactions: None.

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

(d) Major shareholders:

| Shareholder's Name              | Shareholding | Shares     | Percentage |
|---------------------------------|--------------|------------|------------|
| Chain-Yuan Investment Co., Ltd. |              | 50,014,965 | 13.29 %    |
| Fubon Life Assurance Co., Ltd.  |              | 27,944,000 | 7.42 %     |
| Mr. Ming Shiann, Ho             |              | 26,312,540 | 6.99 %     |

**(14) Segment information:**

(a) General information

The Group divides its business into three reportable segments, which comprised of Metal Manufacturing, Real Estate Development, and Lifestyle Hospitality segments. Metal Manufacturing Segment focuses on the casting, manufacturing and selling of cast iron products; Real Estate Development Segment focuses on the developing and selling of residents and commercial buildings; Lifestyle Hospitality Segment focus on retailing, amusement park and hotel operating.

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

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

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

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

|                                                                                           | For the Year Ended December 31, 2020 |                                 |                               |                                |                |
|-------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------|-------------------------------|--------------------------------|----------------|
|                                                                                           | Metal Manufacturing Segment          | Real Estate Development Segment | Lifestyle Hospitality Segment | Reconciliation and Elimination | Total          |
| Revenue:                                                                                  |                                      |                                 |                               |                                |                |
| Revenue from external customers                                                           | \$ 9,882,529                         | 2,619,560                       | 623,810                       | -                              | 13,125,899     |
| Intersegment revenues                                                                     | 2,210,536                            | 37,222                          | 79,914                        | (2,327,672)                    | -              |
| Interest income                                                                           | 28,602                               | 203                             | 954                           | 15,753                         | 45,512         |
| Total revenue                                                                             | \$ 12,121,667                        | 2,656,985                       | 704,678                       | (2,311,919)                    | 13,171,411     |
| Interest expenses                                                                         | \$ (73,236)                          | (75,469)                        | (40,374)                      | (85,660)                       | (274,739)      |
| Depreciation and amortization                                                             | \$ (713,401)                         | (20,916)                        | (210,512)                     | (17,673)                       | (962,502)      |
| Share of profit (loss) of associates and joint ventures accounted for using equity method | \$ (101,447)                         | (9,619)                         | -                             | -                              | (111,066)      |
| <b>Reportable segment profit or loss</b>                                                  | <b>\$ 812,685</b>                    | <b>609,375</b>                  | <b>(4,719)</b>                | <b>(449,777)</b>               | <b>967,564</b> |
| Assets :                                                                                  |                                      |                                 |                               |                                |                |
| Investments accounted for using equity method                                             | \$ 387,718                           | 360,548                         | -                             | -                              | 748,266        |
| Non-current asset capital expenditure                                                     | \$ (1,172,036)                       | (1,472)                         | (72,576)                      | (5,173)                        | (1,251,257)    |
| <b>Reportable segment assets (Note)</b>                                                   | <b>\$ -</b>                          | <b>-</b>                        | <b>-</b>                      | <b>-</b>                       | <b>-</b>       |
| <b>Reportable segment liabilities (Note)</b>                                              | <b>\$ -</b>                          | <b>-</b>                        | <b>-</b>                      | <b>-</b>                       | <b>-</b>       |

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

| For the Year Ended December 31, 2019                                                      |                                   |                                       |                                     |                                      |                |
|-------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------|-------------------------------------|--------------------------------------|----------------|
|                                                                                           | Metal<br>Manufacturing<br>Segment | Real Estate<br>Development<br>Segment | Lifestyle<br>Hospitality<br>Segment | Reconciliation<br>and<br>Elimination | Total          |
| Revenue:                                                                                  |                                   |                                       |                                     |                                      |                |
| Revenue from external customers                                                           | \$ 11,759,879                     | 1,281,836                             | 728,409                             | -                                    | 13,770,124     |
| Intersegment revenues                                                                     | 2,982,784                         | 5,169                                 | 78,554                              | (3,066,507)                          | -              |
| Interest income                                                                           | 27,068                            | 294                                   | 995                                 | 29,258                               | 57,615         |
| Total revenue                                                                             | \$ 14,769,731                     | 1,287,299                             | 807,958                             | (3,037,249)                          | 13,827,739     |
| Interest expenses                                                                         | \$ (90,863)                       | (75,420)                              | (42,677)                            | (60,276)                             | (269,236)      |
| Depreciation and amortization                                                             | \$ (773,719)                      | (26,993)                              | (215,794)                           | (17,172)                             | (1,033,678)    |
| Share of profit (loss) of associates and joint ventures accounted for using equity method | \$ (26,419)                       | (1,349)                               | -                                   | -                                    | (27,768)       |
| Impairment of assets                                                                      | (447)                             | -                                     | -                                   | -                                    | (447)          |
| <b>Reportable segment profit or loss</b>                                                  | <b>\$ 1,005,173</b>               | <b>32,434</b>                         | <b>(89,852)</b>                     | <b>(59,721)</b>                      | <b>888,034</b> |
| Assets :                                                                                  |                                   |                                       |                                     |                                      |                |
| Investments accounted for using equity method                                             | \$ 483,306                        | 369,767                               | -                                   | -                                    | 853,073        |
| Non-current asset capital expenditure                                                     | \$ (813,856)                      | (1,688)                               | (28,383)                            | (5,373)                              | (849,300)      |
| <b>Reportable segment assets (Note)</b>                                                   | <b>\$ -</b>                       | <b>-</b>                              | <b>-</b>                            | <b>-</b>                             | <b>-</b>       |
| <b>Reportable segment liabilities (Note)</b>                                              | <b>\$ -</b>                       | <b>-</b>                              | <b>-</b>                            | <b>-</b>                             | <b>-</b>       |

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

(c) The information of product and service

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

(d) Geographic information

In presenting information on the basis of geography, segment assets are categorized based on the geographical location of the assets. The geographical information for the years ended December 31, 2020 and 2019 is as follows:

| <b>Geographical information</b> | <b>For the Years Ended December 31</b> |                   |
|---------------------------------|----------------------------------------|-------------------|
|                                 | <b>2020</b>                            | <b>2019</b>       |
| Non-current assets:             |                                        |                   |
| Taiwan                          | \$ 7,855,398                           | 7,842,117         |
| United States                   | 75,785                                 | 82,725            |
| Japan                           | 182                                    | 205               |
| China                           | 6,077,951                              | 5,659,682         |
| Others                          | 377,478                                | 388,039           |
| <b>Total</b>                    | <b>\$ 14,386,794</b>                   | <b>13,972,768</b> |

(e) Information on major customers

|                                             | <b>For the Years Ended December 31</b> |             |
|---------------------------------------------|----------------------------------------|-------------|
|                                             | <b>2020</b>                            | <b>2019</b> |
| Customer A from metal manufacturing segment | \$ 1,739,806                           | 1,892,597   |



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666  
Fax 傳真 + 886 2 8101 6667  
Internet 網址 home.kpmg/tw

## 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, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019 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, 2020 of the Company. Those matters have been addressed in our audit opinion on the said financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

#### 1. Revenue recognition

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

Description of key audit matter:

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

Corresponding audit procedure:

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

2. Impairment assessment of investments accounted for using equity method

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

Description of key audit matter:

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

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

Corresponding audit procedure:

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

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

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

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

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





## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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





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

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

KPMG

Taipei, Taiwan (Republic of China)

March 30, 2021

#### **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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

|                 |                                                                                           | December 31, 2020 |     | December 31, 2019 |     |        |                                                      |
|-----------------|-------------------------------------------------------------------------------------------|-------------------|-----|-------------------|-----|--------|------------------------------------------------------|
|                 |                                                                                           | Amount            | %   | Amount            | %   | Amount | %                                                    |
| Assets          |                                                                                           |                   |     |                   |     |        |                                                      |
| Current assets: |                                                                                           |                   |     |                   |     |        |                                                      |
| 1100            | Cash and cash equivalents (Note 6(a))                                                     | \$ 519,514        | 2   | 800,662           | 4   | 2100   | Short-term borrowings (Notes 6(k) and 8)             |
| 1170            | Notes and accounts receivable, net (Notes 6(c) and (t))                                   | 256,061           | 1   | 192,544           | 1   | 2130   | Current contract liabilities (Note 6(t))             |
| 1180            | Accounts receivable due from related parties, net (Note 7)                                | 18,686            | -   | 24,467            | -   | 2170   | Notes and accounts payable                           |
| 1200            | Other receivables                                                                         | 22,234            | -   | 20,574            | -   | 2200   | Other payables (Note 7)                              |
| 1210            | Other receivables due from related parties (Note 7)                                       | 56,235            | -   | 3,294             | -   | 2230   | Current income tax liabilities                       |
| 130X            | Inventories (Note 6(d))                                                                   | 93,106            | 1   | 182,380           | 1   | 2280   | Current lease liabilities (Note 6(m))                |
| 1410            | Prepayments                                                                               | 32,091            | -   | 38,787            | -   | 2300   | Other current liabilities                            |
| 1470            | Other current assets                                                                      | 18,570            | -   | 19,458            | -   | 2310   | Advance receipts                                     |
| 1476            | Other current financial assets                                                            | 227,143           | 1   | 83,225            | -   |        |                                                      |
|                 | Total current assets                                                                      | 1,243,640         | 5   | 1,365,391         | 6   |        | Total current liabilities                            |
|                 |                                                                                           |                   |     |                   |     |        |                                                      |
|                 | Non-current assets:                                                                       |                   |     |                   |     |        | Non-current liabilities:                             |
| 1517            | Non-current financial assets at fair value through other comprehensive income (Note 6(b)) | 194,824           | 1   | 216,065           | 1   | 2541   | Long-term bank loans (Notes 6(l), 7 and 8)           |
| 1550            | Investments accounted for using equity method (Notes 6(e), (f) and 8)                     | 14,120,768        | 64  | 13,590,186        | 63  | 2580   | Non-current lease liabilities (Note 6(m))            |
| 1600            | Property, plant and equipment (Notes 6(g), 7, 8 and 9)                                    | 740,803           | 3   | 786,070           | 4   | 2570   | Deferred tax liabilities (Note 6(q))                 |
| 1755            | Right-of-use assets (Notes 6(h) and 9)                                                    | 1,947,124         | 9   | 2,130,430         | 10  | 2600   | Other non-current liabilities (Note 6(n))            |
| 1760            | Investment property, net (Notes 6(i) and 8)                                               | 2,451,027         | 11  | 2,451,027         | 11  |        | Total non-current liabilities                        |
| 1780            | Intangible assets                                                                         | 9,058             | -   | 13,258            | -   |        | Total liabilities                                    |
| 1840            | Deferred tax assets (Note 6(q))                                                           | 9,206             | -   | 9,206             | -   |        | Equity attributable to owners of parent (Note 6(r)): |
| 1900            | Other non-current assets (Notes 6(g), 7 and 9)                                            | 790,747           | 4   | 460,191           | 2   | 3100   | Ordinary share                                       |
| 1975            | Non-current net defined benefit assets (Note 6(p))                                        | 13,053            | -   | 7,643             | -   | 3200   | Capital surplus                                      |
| 1980            | Other non-current financial assets (Notes 6(i), 7 and 9)                                  | 677,762           | 3   | 677,174           | 3   | 3300   | Retained earnings                                    |
|                 | Total non-current assets                                                                  | 20,954,372        | 95  | 20,341,250        | 94  | 3400   | Other equity                                         |
|                 |                                                                                           |                   |     |                   |     |        | Total equity                                         |
|                 | Total assets                                                                              | \$ 22,198,012     | 100 | 21,706,641        | 100 |        |                                                      |
|                 |                                                                                           |                   |     |                   |     |        | Total liabilities and equity                         |
|                 |                                                                                           |                   |     |                   |     |        |                                                      |

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

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

|      |                                                                                                                                | 2020         |      | 2019      |      |
|------|--------------------------------------------------------------------------------------------------------------------------------|--------------|------|-----------|------|
|      |                                                                                                                                | Amount       | %    | Amount    | %    |
| 4000 | Operating revenues (Notes 6(t) and 7)                                                                                          | \$ 1,214,052 | 100  | 1,191,690 | 100  |
| 5000 | Operating costs (Note 6(d))                                                                                                    | (714,677)    | (59) | (667,419) | (56) |
|      | Gross profit from operations                                                                                                   | 499,375      | 41   | 524,271   | 44   |
|      | Operating expenses (Note 7):                                                                                                   |              |      |           |      |
| 6100 | Selling expenses                                                                                                               | (29,417)     | (2)  | (28,299)  | (2)  |
| 6200 | Administrative expenses                                                                                                        | (537,469)    | (44) | (549,676) | (46) |
| 6300 | Research and development expenses                                                                                              | (2,145)      | -    | (75)      | -    |
| 6450 | Expected credit gains (losses) (Note 6(c))                                                                                     | 5,952        | -    | (2,573)   | -    |
|      | Total operating expenses                                                                                                       | (563,079)    | (46) | (580,623) | (48) |
| 6500 | Net other income and expenses (Notes 6(v) and 7)                                                                               | -            | -    | 3,007     | -    |
|      | Net operating loss                                                                                                             | (63,704)     | (5)  | (53,345)  | (4)  |
|      | Non-operating income and expenses:                                                                                             |              |      |           |      |
| 7100 | Interest income (Notes 6(w) and 7)                                                                                             | 20,031       | 2    | 33,443    | 3    |
| 7010 | Other income (Note 6(w))                                                                                                       | 77,884       | 6    | 63,700    | 5    |
| 7020 | Other gains and losses (Note 6(w))                                                                                             | (34,650)     | (3)  | 3,355     | -    |
| 7050 | Finance costs (Note 6(w))                                                                                                      | (107,137)    | (9)  | (80,528)  | (7)  |
| 7070 | Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Note 6(e))                   | 669,202      | 55   | 605,054   | 51   |
|      | Total non-operating income and expenses                                                                                        | 625,330      | 51   | 625,024   | 52   |
| 7900 | Profit from continuing operations before tax                                                                                   | 561,626      | 46   | 571,679   | 48   |
| 7950 | Less: Tax expenses (Note 6(q))                                                                                                 | (4,168)      | -    | (62,952)  | (5)  |
| 8000 | Profit from continuing operations                                                                                              | 557,458      | 46   | 508,727   | 43   |
|      | Profit                                                                                                                         | 557,458      | 46   | 508,727   | 43   |
| 8300 | Other comprehensive income:                                                                                                    |              |      |           |      |
| 8310 | Items that may not be reclassified subsequently to profit or loss                                                              |              |      |           |      |
| 8311 | Gains on remeasurements of defined benefit plans (Notes 6(p))                                                                  | 1,966        | -    | 3,843     | -    |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (Notes 6(x)) | 6,193        | 1    | 17,861    | 1    |
| 8330 | Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method           | 719          | -    | (1,657)   | -    |
|      | Total items that may not be reclassified subsequently to profit or loss                                                        | 8,878        | 1    | 20,047    | 1    |
| 8360 | Items that may be reclassified subsequently to profit or loss                                                                  |              |      |           |      |
| 8361 | Exchange differences on translation of foreign financial statements                                                            | 175,947      | 14   | (280,040) | (22) |
|      | Total items that may be reclassified subsequently to profit or loss                                                            | 175,947      | 14   | (280,040) | (22) |
| 8300 | Other comprehensive income (after tax)                                                                                         | 184,825      | 15   | (259,993) | (21) |
| 8500 | Comprehensive income                                                                                                           | \$ 742,283   | 61   | 248,734   | 22   |
|      | Earnings per share (Note 6(s))                                                                                                 |              |      |           |      |
| 9750 | Basic earnings per share                                                                                                       | \$ 1.47      |      | 1.32      |      |
| 9850 | Diluted earnings per share                                                                                                     | \$ 1.46      |      | 1.32      |      |

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, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

|                                                                                              | Share Capital  | Retained Earnings |               |                 |                                  |             | Other Equity            |                                                                                   |                                                                                                           |                             |                |              |
|----------------------------------------------------------------------------------------------|----------------|-------------------|---------------|-----------------|----------------------------------|-------------|-------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------|----------------|--------------|
|                                                                                              | Ordinary Share | Capital Surplus   | Legal Reserve | Special Reserve | Unappropriated Retained Earnings |             | Total Retained Earnings | Exchange Differences on Translation of Value Through Foreign Financial Statements | Unrealized Gains (Losses) from Financial Assets Measured at Fair Value Through Other Comprehensive Income | Total Other Equity Interest | Treasury share | Total Equity |
|                                                                                              |                |                   |               |                 |                                  |             |                         |                                                                                   |                                                                                                           |                             |                |              |
| <b>Balance on January 1, 2019</b>                                                            | \$ 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   |
| Profit for the year ended December 31, 2020                                                  | -              | -                 | -             | -               | 557,458                          | 557,458     | -                       | -                                                                                 | -                                                                                                         | -                           | -              | 557,458      |
| Other comprehensive income for the year ended December 31, 2020                              | -              | -                 | -             | -               | 2,685                            | 2,685       | 175,947                 | 6,193                                                                             | 182,140                                                                                                   | -                           | -              | 184,825      |
| Total comprehensive income for the year ended December 31, 2020                              | -              | -                 | -             | -               | 560,143                          | 560,143     | 175,947                 | 6,193                                                                             | 182,140                                                                                                   | -                           | -              | 742,283      |
| Appropriation and distribution of retained earnings:                                         |                |                   |               |                 |                                  |             |                         |                                                                                   |                                                                                                           |                             |                |              |
| Legal reserve                                                                                | -              | -                 | 45,022        | -               | (45,022)                         | -           | -                       | -                                                                                 | -                                                                                                         | -                           | -              | -            |
| Special reserve                                                                              | -              | -                 | -             | 7,028           | (7,028)                          | -           | -                       | -                                                                                 | -                                                                                                         | -                           | -              | -            |
| Cash dividends                                                                               | -              | -                 | -             | -               | (346,727)                        | (346,727)   | -                       | -                                                                                 | -                                                                                                         | -                           | -              | (346,727)    |
| Other changes in capital surplus:                                                            |                |                   |               |                 |                                  |             |                         |                                                                                   |                                                                                                           |                             |                |              |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed of | -              | -                 | -             | -               | (1,136)                          | (1,136)     | -                       | -                                                                                 | -                                                                                                         | -                           | -              | (1,136)      |
| Acquisition of treasury share                                                                | -              | -                 | -             | -               | -                                | -           | -                       | -                                                                                 | -                                                                                                         | -                           | (257,223)      | (257,223)    |
| Retirement of treasury share                                                                 | (91,300)       | (35,302)          | -             | -               | (130,621)                        | (130,621)   | -                       | -                                                                                 | -                                                                                                         | -                           | 257,223        | -            |
| <b>Balance on December 31, 2020</b>                                                          | \$ 3,761,221   | 1,487,802         | 1,801,169     | 56,109          | 4,794,062                        | 6,651,340   | 32,198                  | 93,833                                                                            | 126,031                                                                                                   | -                           | -              | 12,026,394   |

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

|                                                                                                      | 2020              | 2019               |
|------------------------------------------------------------------------------------------------------|-------------------|--------------------|
| <b>Cash flows from operating activities:</b>                                                         |                   |                    |
| Profit before tax                                                                                    | \$ 561,626        | 571,679            |
| Adjustments:                                                                                         |                   |                    |
| Adjustments to reconcile profit (loss):                                                              |                   |                    |
| Depreciation expense                                                                                 | 267,494           | 266,546            |
| Amortization expense                                                                                 | 4,812             | 4,449              |
| Interest expense                                                                                     | 107,137           | 80,528             |
| Expected credit (gains) losses                                                                       | (5,952)           | 2,573              |
| Interest income                                                                                      | (20,031)          | (33,443)           |
| Dividend income                                                                                      | (28,407)          | (28,196)           |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method     | (669,202)         | (605,054)          |
| Gains on disposal of property, plant and equipment                                                   | (4,120)           | (1,922)            |
| Property, plant and equipment transferred to expenses                                                | 732               | 152                |
| Lease modification gains                                                                             | (892)             | -                  |
| <b>Total adjustments to reconcile profit</b>                                                         | <b>(348,429)</b>  | <b>(314,367)</b>   |
| <b>Changes in operating assets and liabilities:</b>                                                  |                   |                    |
| <b>Changes in operating assets:</b>                                                                  |                   |                    |
| Notes and accounts receivable, net                                                                   | (57,565)          | 92,577             |
| Accounts receivable due from related parties, net                                                    | 5,781             | 8,760              |
| Other receivables                                                                                    | (54,600)          | 10,324             |
| Inventories                                                                                          | 89,274            | (73,102)           |
| Prepayments                                                                                          | 5,911             | (18,173)           |
| Other current assets                                                                                 | 827               | -                  |
| Other current financial assets                                                                       | 83,079            | 441                |
| Net defined benefit assets                                                                           | (3,444)           | (7,992)            |
| <b>Total changes in operating assets</b>                                                             | <b>69,263</b>     | <b>12,835</b>      |
| <b>Changes in operating liabilities:</b>                                                             |                   |                    |
| Notes and accounts payable (including related parties), net                                          | 31,611            | (32,802)           |
| Other payables                                                                                       | 61,990            | (59,419)           |
| Contract liabilities                                                                                 | 4,637             | (1,536)            |
| Other current liabilities                                                                            | (8,741)           | (1,409)            |
| Advance receipts                                                                                     | 177               | 368                |
| <b>Total changes in operating liabilities</b>                                                        | <b>89,674</b>     | <b>(94,798)</b>    |
| <b>Total changes in operating assets and liabilities</b>                                             | <b>158,937</b>    | <b>(81,963)</b>    |
| <b>Total adjustments</b>                                                                             | <b>(189,492)</b>  | <b>(396,330)</b>   |
| Cash inflow generated from operations                                                                | 372,134           | 175,349            |
| Interest received                                                                                    | 6,626             | 20,031             |
| Dividends received                                                                                   | 335,912           | 808,369            |
| Interest paid                                                                                        | (108,675)         | (77,771)           |
| Income taxes paid                                                                                    | (71,220)          | (31,785)           |
| <b>Net cash flows generated from operating activities</b>                                            | <b>534,777</b>    | <b>894,193</b>     |
| <b>Cash flows from investing activities:</b>                                                         |                   |                    |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 21,241            | 9,614              |
| Acquisition of investments accounted for using equity method                                         | (41,422)          | -                  |
| Proceeds from capital reduction of investments accounted for using equity method                     | 56,178            | -                  |
| Acquisition of property, plant and equipment                                                         | (37,256)          | (51,292)           |
| Proceeds from disposal of property, plant and equipment                                              | 4,149             | 2,090              |
| Acquisition of intangible assets                                                                     | (556)             | (3,212)            |
| Acquisition of investment properties                                                                 | -                 | (2,304,149)        |
| (Increase) decrease in other financial assets                                                        | (227,585)         | 857                |
| Increase in other non-current assets                                                                 | (330,556)         | (116,939)          |
| <b>Net cash flows used in investing activities</b>                                                   | <b>(555,807)</b>  | <b>(2,463,031)</b> |
| <b>Cash flows from financing activities:</b>                                                         |                   |                    |
| Increase in short-term borrowings                                                                    | 1,720,000         | 2,150,000          |
| Decrease in short-term borrowings                                                                    | (1,610,000)       | (2,100,000)        |
| Increase (decrease) in short-term notes and bills payable                                            | 199,726           | (199,779)          |
| Proceeds from long-term borrowings                                                                   | 4,622,462         | 7,744,234          |
| Repayments of long-term borrowings                                                                   | (4,419,000)       | (5,209,000)        |
| Increase in other non-current liabilities                                                            | 2,620             | 1,195              |
| Cash dividends paid                                                                                  | (346,727)         | (1,040,181)        |
| Payment of lease liabilities                                                                         | (171,976)         | (172,381)          |
| Payments to acquire treasury shares                                                                  | (257,223)         | -                  |
| <b>Net cash flows (used in) generated from financing activities</b>                                  | <b>(260,118)</b>  | <b>1,174,088</b>   |
| Net decrease in cash and cash equivalents                                                            | (281,148)         | (394,750)          |
| Cash and cash equivalents at the beginning of the year                                               | 800,662           | 1,195,412          |
| Cash and cash equivalents at the end of the year                                                     | <b>\$ 519,514</b> | <b>800,662</b>     |

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, 2020 and 2019**

**(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, 2021.

**(3) New standards, amendments and interpretations adopted:**

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

#### (4) Summary of significant accounting policies

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

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

##### (a) Statement of compliance

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

##### (b) Basis of preparation

###### (i) Basis of measurement

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

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

###### (ii) Functional and presentation currency

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

#### (c) Foreign currencies

##### (i) Foreign currency transactions

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

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

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

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

##### (ii) Foreign operations

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

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

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

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

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

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

(Continued)



## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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

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

#### 2) Fair value through other comprehensive income (FVOCI )

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

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

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

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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

#### 3) Fair value through profit or loss (FVTPL)

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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

#### 4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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

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

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

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 5) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity instruments

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

(Continued)

## **CHINA METAL PRODUCTS CO., LTD.**

### **Notes to the Financial Statements**

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

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

5) Derecognition of financial liabilities

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

6) Offsetting of financial assets and liabilities

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

7) Financial guarantee contract

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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

#### (g) Inventories

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

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

#### (h) Investment in associates

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

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

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

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

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

#### (i) Subsidiaries

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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

#### (j) Joint Arrangements

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

- (i) The participants are bound by a contractual arrangement; and
- (ii) The contractual arrangement gives two or more of the parties joint control of the arrangement.

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

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

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

#### (k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

#### (l) Property, plant and equipment

##### (i) Recognition and measurement

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

(Continued)



## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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

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

#### (ii) Subsequent expenditure

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

#### (iii) Depreciation

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

Land is not depreciated.

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

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

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

#### (iv) Reclassification to investment property

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

#### (m) Leases

##### (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

(Continued)



## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

- 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 lessee

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

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.

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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.

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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.

#### (n) Intangible assets

##### (i) Recognition and measurement

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

##### (ii) Subsequent expenditure

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

##### (iii) Amortization

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

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

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

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

#### (o) Impairment of non-financial assets

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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.

#### (p) Provisions

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

#### (q) Revenue

##### (i) Revenue from contracts with customers

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

##### 1) Sale of goods

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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.

#### (r) Contract costs

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

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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

(s) Employee benefits

(i) Defined contribution plans

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

(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.

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

(t) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (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 reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

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.

(Continued)



## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

(u) Earnings per share

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

(v) Operating segments

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

**(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.

(Continued)



## **CHINA METAL PRODUCTS CO., LTD.**

### **Notes to the Financial Statements**

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

(a) The loss allowance of accounts receivable

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

(b) Inventory valuation

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

(c) Impairment of goodwill

The assessment of impairment of goodwill is based on the estimated growth rate, gross profit margin and the income under cash basis, which requires the Company's management to determine the valuation method, major assumption and to calculate the equity value. In addition, impairment of goodwill depends on the Company to make subjective judgments which involved highly estimation uncertainty. Please refer to the consolidated financial statements for the year ended December 31, 2020 for the impairment of goodwill.

(d) Recognition and measurement of provisions and contingent liabilities

Provision for unsettled litigation and claims is recognized when it is probable that it will result in an outflow of the Company's resources and the amount can be reasonably estimated. Since the ultimate resolution of litigation and claims cannot be predicted with certainty, the final outcome or the actual cash outflow may be materially different from the estimated liability. Please refer to the consolidated financial statements for the year ended December 31, 2020 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(p) for further description of the actuarial assumptions and sensitivity analysis.

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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(x), Financial instruments

#### (6) Explanation of significant accounts:

(a) Cash and cash equivalents

|                           | December 31,<br>2020 | December 31,<br>2019 |
|---------------------------|----------------------|----------------------|
| Cash on hand              | \$ 1,400             | 1,400                |
| Cash in banks             | 443,382              | 502,670              |
| Time deposits             | 74,732               | 296,592              |
| Cash and cash equivalents | <u>\$ 519,514</u>    | <u>800,662</u>       |

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

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

|                                                                           | December 31, 2020 | December 31, 2019 |
|---------------------------------------------------------------------------|-------------------|-------------------|
| Equity investments at fair value through other comprehensive income       |                   |                   |
| Stocks unlisted on domestic markets—MEITA Industrial Co., Ltd.            | \$ 135,300        | 135,300           |
| Stocks unlisted on domestic markets—YUHUA Venture Capital Co., Ltd.       | 435               | 830               |
| Stocks unlisted on domestic markets—FUHUA Venture Capital Co., Ltd.       | 1,574             | 1,920             |
| Stocks unlisted on domestic markets—GUANGYUAN Investment Co., Ltd.        | 31,580            | 44,080            |
| Stocks unlisted on domestic markets—DEVELOPMENT Venture Capital Co., Ltd. | 25,935            | 33,935            |
| Total                                                                     | <u>\$ 194,824</u> | <u>216,065</u>    |

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

- (i) The Company intends to hold the equity investments for long-term strategic purposes, rather than transaction purposes. Therefore, the investments are measured at FVOCI.
  - (ii) The Company did not dispose the strategic investments during the year of 2020 and 2019. Therefore, the accumulated income and loss was not transferred in equity.
  - (iii) Please refer to Note 6(x) for the information on credit risk (including the impairment of debt instrument investments) and market risk.
  - (iv) As of December 31, 2020 and 2019, the financial assets were not pledged as collateral.
- (c) Notes and accounts receivable

|                                                | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|------------------------------------------------|------------------------------|------------------------------|
| Notes receivable from operating activities     | \$ 52,368                    | 34,079                       |
| Accounts receivable-measured as amortized cost | 204,246                      | 164,970                      |
| Subtotal                                       | 256,614                      | 199,049                      |
| Less: Loss allowance                           | (553)                        | (6,505)                      |
| Total                                          | <b>\$ 256,061</b>            | <b>192,544</b>               |

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:

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

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

|                             | 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                    |
|                             | <u>\$ 199,049</u>     |                            | <u>6,505</u>             |

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

|                                         | For the Years Ended December 31 |              |
|-----------------------------------------|---------------------------------|--------------|
|                                         | 2020                            | 2019         |
| Balance on January 1                    | \$ 6,505                        | 4,022        |
| Impairment (recovery) losses recognized | (5,952)                         | 2,573        |
| Amounts written off                     | -                               | (90)         |
| Balance on December 31                  | <u>\$ 553</u>                   | <u>6,505</u> |

The financial assets mentioned above were not pledged as collateral.

### (d) Inventories

|                     | December 31, 2020 | December 31, 2019 |
|---------------------|-------------------|-------------------|
| Raw materials       | \$ 5,486          | 2,796             |
| Materials           | 5,454             | 4,668             |
| Work in process     | 22,710            | 68,557            |
| Semi-finished goods | 26,492            | 53,254            |
| Finished goods      | 27,320            | 48,868            |
| Merchandise         | 5,644             | 4,237             |
|                     | <u>\$ 93,106</u>  | <u>182,380</u>    |

For the years ended December 31, 2020 and 2019, the cost of goods sold and expenses were amounted to \$714,677 thousand and \$667,419 thousand, respectively. For the years ended December 31, 2020 and 2019, the reversal gain (loss for inventory obsolescence) from the increase (decrease) in inventories' net realizable value amounted to \$(7,691) thousand and \$3,741 thousand, respectively.

The inventories were not pledged as collateral, as of December 31, 2020 and 2019.

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

### (e) Investments accounted for using equity method

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

|                | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------|------------------------------|------------------------------|
| Subsidiaries   | \$ 13,851,684                | 13,236,263                   |
| Associates     | (21,760)                     | (21,760)                     |
| Joint ventures | 290,844                      | 375,683                      |
|                | <b><u>\$ 14,120,768</u></b>  | <b><u>13,590,186</u></b>     |

#### (i) Subsidiaries

Please refer to the consolidated financial statement for the year ended December 31, 2020.

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

#### (ii) Associates

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

|                                                               | <b>December 31,<br/>2020</b>                  | <b>December 31,<br/>2019</b> |
|---------------------------------------------------------------|-----------------------------------------------|------------------------------|
| Carry amount of individually insignificant associates' equity | <b><u>\$ (21,760)</u></b>                     | <b><u>(21,760)</u></b>       |
|                                                               | <b><u>For the Years Ended December 31</u></b> | <b><u>2020</u></b>           |
| Attributable to the Company:                                  | <b><u>2019</u></b>                            |                              |
| Net loss from continuing operations                           | \$ -                                          | -                            |
| Other comprehensive income                                    | -                                             | -                            |
| Total                                                         | <b><u>\$ -</u></b>                            | <b><u>-</u></b>              |

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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, 2020 and 2019, the unrealized investment losses were amounted to \$267 thousand and \$232 thousand, respectively; and the accumulated unrealized investment losses amounted to \$34,688 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:

|                                                                   | <b>December 31,<br/>2020</b>           | <b>December 31,<br/>2019</b> |
|-------------------------------------------------------------------|----------------------------------------|------------------------------|
| Carry amount of individually insignificant joint ventures' equity | <b>\$ 290,844</b>                      | <b>375,683</b>               |
|                                                                   | <b>For the Years Ended December 31</b> |                              |
|                                                                   | <b>2020</b>                            | <b>2019</b>                  |
| Attributable to the Company:                                      |                                        |                              |
| Net loss from continuing operations                               | \$ (86,757)                            | (26,643)                     |
| Other comprehensive income                                        | -                                      | -                            |
| Comprehensive income                                              | <b>\$ (86,757)</b>                     | <b>(26,643)</b>              |

#### (iv) Pledge to secure

For the information on the investments accounted for using equity, as of December 31, 2020 and 2019, please refer to Note 8.

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

##### (i) Acquisition of subsidiary

During the year of 2020, the Company invested Atrans Precision in cash by the amounts of \$10,438 thousand, which increased the equity investment from 83.74% to 85.51%.

During the year of 2019, the Company invested Atrans Precision in cash by the amount of \$958 thousand, through the subsidiary of Sunflower Investment, which increased the equity investment from 83.58% to 83.74%.

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

|                                                        | <b>For the Years Ended December 31</b> |                         |
|--------------------------------------------------------|----------------------------------------|-------------------------|
|                                                        | <b>2020</b>                            | <b>2019</b>             |
|                                                        | <b>Atrans Precision</b>                | <b>Atrans Precision</b> |
| Book value of acquisition of non-controlling interests | \$ 9,302                               | 913                     |
| Cash paid to non-controlling interests                 | (10,438)                               | (958)                   |
| Capital surplus                                        | <b>\$ (1,136)</b>                      | <b>(45)</b>             |

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

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

### (g) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 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, 2020                      | \$ 113,667        | 272,286        | 786,279        | 24,097           | 7,923                    | 106,803         | 40,837                                                 | 1,351,892        |
| Additions                                       | -                 | 657            | 5,155          | 247              | -                        | 8,521           | 22,676                                                 | 37,256           |
| Disposals                                       | -                 | -              | (25,938)       | (187)            | (1,438)                  | -               | -                                                      | (27,563)         |
| Reclassification                                | -                 | 5,595          | 46,356         | 237              | -                        | 1,774           | (55,457)                                               | (1,495)          |
| Balance at December 31, 2020                    | <u>\$ 113,667</u> | <u>278,538</u> | <u>811,852</u> | <u>24,394</u>    | <u>6,485</u>             | <u>117,098</u>  | <u>8,056</u>                                           | <u>1,360,090</u> |
| Balance at 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 on December 31, 2019                    | <u>\$ 113,667</u> | <u>272,286</u> | <u>786,279</u> | <u>24,097</u>    | <u>7,923</u>             | <u>106,803</u>  | <u>40,837</u>                                          | <u>1,351,892</u> |
| Accumulated depreciation and impairment losses: |                   |                |                |                  |                          |                 |                                                        |                  |
| Balance on January 1, 2020                      | \$ -              | 101,294        | 390,638        | 16,783           | 7,503                    | 49,604          | -                                                      | 565,822          |
| Depreciation                                    | -                 | 11,695         | 48,196         | 3,037            | 327                      | 17,744          | -                                                      | 80,999           |
| Disposals                                       | -                 | -              | (25,938)       | (187)            | (1,409)                  | -               | -                                                      | (27,534)         |
| Balance on December 31, 2020                    | <u>\$ -</u>       | <u>112,989</u> | <u>412,896</u> | <u>19,633</u>    | <u>6,421</u>             | <u>67,348</u>   | <u>-</u>                                               | <u>619,287</u>   |
| 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                    | <u>\$ -</u>       | <u>101,294</u> | <u>390,638</u> | <u>16,783</u>    | <u>7,503</u>             | <u>49,604</u>   | <u>-</u>                                               | <u>565,822</u>   |
| Carrying value:                                 |                   |                |                |                  |                          |                 |                                                        |                  |
| Balance on December 31, 2020                    | <u>\$ 113,667</u> | <u>165,549</u> | <u>398,956</u> | <u>4,761</u>     | <u>64</u>                | <u>49,750</u>   | <u>8,056</u>                                           | <u>740,803</u>   |
| Balance on January 1, 2019                      | <u>\$ 113,667</u> | <u>172,488</u> | <u>422,095</u> | <u>8,902</u>     | <u>1,190</u>             | <u>57,195</u>   | <u>38,980</u>                                          | <u>814,517</u>   |
| Balance on December 31, 2019                    | <u>\$ 113,667</u> | <u>170,992</u> | <u>395,641</u> | <u>7,314</u>     | <u>420</u>               | <u>57,199</u>   | <u>40,837</u>                                          | <u>786,070</u>   |

- (i) As of December 31, 2020 and 2019, 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:

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

|      | December 31,<br>2020 | December 31,<br>2019 |
|------|----------------------|----------------------|
| Land | \$ <u>22</u>         | <u>22</u>            |

### (h) Right-of-use assets

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

|                                                 | Land              | Buildings        | Machinery    | Transportation<br>Equipment | Office<br>Equipment | Other<br>Equipment | Total            |
|-------------------------------------------------|-------------------|------------------|--------------|-----------------------------|---------------------|--------------------|------------------|
| Cost:                                           |                   |                  |              |                             |                     |                    |                  |
| Balance on January 1, 2020                      | \$ 666,672        | 2,402,255        | 4,986        | 16,340                      | 1,210               | 122,607            | 3,214,070        |
| Additions                                       | -                 | 895              | 1,803        | -                           | 677                 | 260                | 3,635            |
| Reduction for expiration                        | -                 | (10,847)         | -            | (7,244)                     | (591)               | (604)              | (19,286)         |
| Balance on December 31, 2020                    | <u>\$ 666,672</u> | <u>2,392,303</u> | <u>6,789</u> | <u>9,096</u>                | <u>1,296</u>        | <u>122,263</u>     | <u>3,198,419</u> |
| Balance on January 1, 2019                      | \$ 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                    | <u>\$ 666,672</u> | <u>2,402,255</u> | <u>4,986</u> | <u>16,340</u>               | <u>1,210</u>        | <u>122,607</u>     | <u>3,214,070</u> |
| Accumulated depreciation and impairment losses: |                   |                  |              |                             |                     |                    |                  |
| Balance on January 1, 2020                      | \$ 54,167         | 1,005,765        | 1,828        | 10,210                      | 672                 | 10,998             | 1,083,640        |
| Depreciation                                    | 16,667            | 161,536          | 1,087        | 3,406                       | 266                 | 3,533              | 186,495          |
| Reduction for expiration                        | -                 | (10,847)         | -            | (7,244)                     | (336)               | (413)              | (18,840)         |
| Balance on December 31, 2020                    | <u>\$ 70,834</u>  | <u>1,156,454</u> | <u>2,915</u> | <u>6,372</u>                | <u>602</u>          | <u>14,118</u>      | <u>1,251,295</u> |
| Balance on January 1, 2019                      | \$ 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                    | <u>\$ 54,167</u>  | <u>1,005,765</u> | <u>1,828</u> | <u>10,210</u>               | <u>672</u>          | <u>10,998</u>      | <u>1,083,640</u> |
| Carrying value:                                 |                   |                  |              |                             |                     |                    |                  |
| Balance on December 31, 2020                    | <u>\$ 595,838</u> | <u>1,235,849</u> | <u>3,874</u> | <u>2,724</u>                | <u>694</u>          | <u>108,145</u>     | <u>1,947,124</u> |
| Balance on December 31, 2019                    | <u>\$ 612,505</u> | <u>1,396,490</u> | <u>3,158</u> | <u>6,130</u>                | <u>538</u>          | <u>111,609</u>     | <u>2,130,430</u> |

### (i) Investment property

|                              | Land                |
|------------------------------|---------------------|
| Cost or deemed cost:         |                     |
| Balance on January 1, 2020   | \$ 2,451,027        |
| Balance on December 31, 2020 | <u>\$ 2,451,027</u> |
| Balance on January 1, 2019   | \$ 146,878          |
| Additions                    | 2,304,149           |
| Balance on December 31, 2019 | <u>\$ 2,451,027</u> |
| Carrying amounts:            |                     |
| Balance on December 31, 2020 | <u>\$ 2,451,027</u> |
| Balance at December 31, 2019 | <u>\$ 2,451,027</u> |
| Fair value:                  |                     |
| Balance on December 31, 2020 | <u>\$ 2,451,027</u> |
| Balance on December 31, 2019 | <u>\$ 2,451,027</u> |

(Continued)



## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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 on September 11, 2019. The total price of \$2,294,620 thousand had been fully paid-up as of December 31, 2020.

As of December 31, 2020 and 2019, the details of investment properties pledged as collateral, please refer to Note 8.

(j) Other non-current financial assets

|                                                                                      | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|--------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Refundable deposit                                                                   | \$ 102,762                   | 102,174                      |
| 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)                     |
|                                                                                      | <b><u>\$ 677,762</u></b>     | <b><u>677,174</u></b>        |

- (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:

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

### December 31, 2020

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

### December 31, 2019

| <u>Underlying</u>                               | <u>Obligation<br/>Cost</u> | <u>Obligation<br/>Principal</u> | <u>Valuation Assessment</u>                                                                                                                                                                                                                                                                                   | <u>Collateral</u>                                                                     |
|-------------------------------------------------|----------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| The<br>Splendor<br>Hospitality<br>International | <u>\$ 575,000</u>          | <u>796,845</u>                  | According to the assessment of Zhonglian Real Estate Appraiser Joint Office, the valuation of mortgage is \$7,579,711 thousand. After deducting the 1 <sup>st</sup> 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 2 <sup>nd</sup> security) |

- (ii) As of December 31, 2020 and 2019, the costs and principal of debt obligation from Chin Ling Steel were \$23,250 thousand and \$118,561 thousand, respectively.

(k) Short-term borrowings

|                           | <u>December 31,<br/>2020</u> | <u>December 31,<br/>2019</u> |
|---------------------------|------------------------------|------------------------------|
| Unsecured bank borrowings | \$ 510,000                   | 400,000                      |
| Notes and bills payable   | 299,619                      | 99,893                       |
| Total                     | <u>\$ 809,619</u>            | <u>499,893</u>               |
| Unused credit limit       | <u>\$ 710,000</u>            | <u>739,840</u>               |
| Range of interest rates   | <u>0.52%~1.00%</u>           | <u>0.92%~1.18%</u>           |

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

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

### (l) Long-term borrowings

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

| December 31, 2020                      |          |                         |           |                     |
|----------------------------------------|----------|-------------------------|-----------|---------------------|
|                                        | Currency | Range of Interest Rates | Term      | Amount              |
| Unsecured bank borrowings              | NTD      | 1.00%~1.52%             | 2022      | \$ 2,000,000        |
| Secured bank borrowings                | NTD      | 0.90%~1.90%             | 2022~2024 | 4,367,696           |
| Less: Current portion                  |          |                         |           | -                   |
| Unamortized long-term borrowings costs |          |                         |           | (824)               |
| Total                                  |          |                         |           | <u>\$ 6,366,872</u> |
| Unused credit limit                    |          |                         |           | <u>\$ 324,212</u>   |

| 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                                  |          |                         |           | <u>\$ 6,164,195</u> |
| Unused credit limit                    |          |                         |           | <u>\$ 431,361</u>   |

### (i) Borrowing covenants

The Company entered into a borrowing contract in a total credit of \$3,150,000 thousand with financial institutions on April 23, 2019. According to the contract, during the borrowing repayment periods the Company should file annual and semi-annual consolidated financial statements which were audited and reviewed by CPA and must comply with certain financial covenants, such as the current ratio shall be greater than or equal to 100%, the 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, 2020, 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.

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

### (m) Lease liabilities

The details of the lease liabilities is as follows:

|             | December 31,<br>2020 | December 31,<br>2019 |
|-------------|----------------------|----------------------|
| Current     | \$ <u>171,380</u>    | <u>172,175</u>       |
| Non-current | \$ <u>1,807,930</u>  | <u>1,976,814</u>     |

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

The amounts recognized in profit or loss is as follows:

|                                               | For the Years Ended December 31<br>2020 | 2019          |
|-----------------------------------------------|-----------------------------------------|---------------|
| Interest on lease liabilities                 | \$ <u>26,083</u>                        | <u>28,237</u> |
| Expenses relating to leases short-term assets | \$ <u>12,624</u>                        | <u>12,716</u> |

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

|                               | For the Years Ended December 31<br>2020 | 2019           |
|-------------------------------|-----------------------------------------|----------------|
| Total cash outflow for leases | \$ <u>210,683</u>                       | <u>213,334</u> |

### (i) Real estate leases

As of December 31, 2020, the Company leases land and buildings for its offices, retail stores and future project development. The leases of offices, typically run for a period of 2 years, retail stores for a period of 15 years, and the land use rights leased for future project development for 40 to 50 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

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

### (ii) Other leases

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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.

(n) Provisions

|                              | <b>Financial<br/>Guarantee Contracts</b> |
|------------------------------|------------------------------------------|
| Balance on January 1, 2020   | \$ 44,756                                |
| Provision                    | 1,918                                    |
| Unwinding of discount        | <u>(13,405)</u>                          |
| Balance on December 31, 2020 | <b><u>\$ 33,269</u></b>                  |
| Balance on January 1, 2019   | \$ 55,958                                |
| Provision                    | 2,209                                    |
| Unwinding of discount        | <u>(13,411)</u>                          |
| Balance on December 31, 2019 | <b><u>\$ 44,756</u></b>                  |

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

(o) Operating leases

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

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

|                                   | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-----------------------------------|------------------------------|------------------------------|
| Less than one year                | \$ 12,299                    | 11,626                       |
| One to two years                  | 11,520                       | 11,160                       |
| Two to three years                | <u>-</u>                     | <u>11,160</u>                |
| Total undiscounted lease payments | <b><u>\$ 23,819</u></b>      | <b><u>33,946</u></b>         |

For the years ended December 31, 2020 and 2019, rental revenues from investment properties amounted to \$11,961 thousand and \$741 thousand, respectively. The equipment and maintenance costs arising from the investment properties (recognized under "operating costs") are as follows:

|                    | <b>2020</b> | <b>2019</b> |
|--------------------|-------------|-------------|
| Lease-out property | <u>\$ -</u> | <u>-</u>    |

(Continued)

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

(p) Employee benefits

(i) Defined benefit plans

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

|                                             | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------------------------|------------------------------|------------------------------|
| Present value of defined benefit obligation | \$ 48,717                    | 59,668                       |
| Fair value of plan assets                   | (61,770)                     | (67,311)                     |
| Net defined benefit assets                  | <b><u>\$ (13,053)</u></b>    | <b><u>(7,643)</u></b>        |

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 \$61,770 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, 2020 and 2019 are as follows:

|                                                                    | <b>For the Years Ended December 31<br/>2020</b> | <b>2019</b>          |
|--------------------------------------------------------------------|-------------------------------------------------|----------------------|
| Defined benefit obligations on January 1                           | \$ 59,668                                       | 67,660               |
| Current service costs and interest                                 | 1,405                                           | 1,717                |
| Remeasurements of the net defined benefit liability (asset)        |                                                 |                      |
| — Return on plan assets (not including current interest cost)      | 553                                             | (2,421)              |
| — Actuarial gains (losses) from changes in demographic assumptions | (516)                                           | 750                  |
| Benefits paid by the plan                                          | (12,393)                                        | (8,038)              |
| Defined benefit obligation on December 31                          | <b><u>\$ 48,717</u></b>                         | <b><u>59,668</u></b> |

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

### 3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 are as follows:

|                                                               | <b>For the Years Ended December 31</b> |                      |
|---------------------------------------------------------------|----------------------------------------|----------------------|
|                                                               | <b>2020</b>                            | <b>2019</b>          |
| Fair value of plan assets on January 1                        | \$ 67,311                              | 63,468               |
| Interest revenue                                              | 672                                    | 761                  |
| Remeasurements of the net defined benefit liability (asset)   |                                        |                      |
| — Return on plan assets (not including current interest cost) | 2,003                                  | 2,172                |
| Contributed amount                                            | 2,366                                  | 8,948                |
| Benefits paid by the plan                                     | (10,582)                               | (8,038)              |
| Fair value of plan asset on December 31                       | <u><u>\$ 61,770</u></u>                | <u><u>67,311</u></u> |

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

### 5) Expenses recognized in profit and loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 are as follows:

|                                           | <b>For the Years Ended December 31</b> |                   |
|-------------------------------------------|----------------------------------------|-------------------|
|                                           | <b>2020</b>                            | <b>2019</b>       |
| Current service cost                      | \$ 821                                 | 971               |
| Net interest on net defined benefit asset | (88)                                   | (15)              |
|                                           | <u><u>\$ 733</u></u>                   | <u><u>956</u></u> |

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

The Company's net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

|                                  | <b>For the Years Ended December 31</b> |                      |
|----------------------------------|----------------------------------------|----------------------|
|                                  | <b>2020</b>                            | <b>2019</b>          |
| Cumulative amount on January 1   | \$ 25,545                              | 29,388               |
| Recognized during the year       | (1,966)                                | (3,843)              |
| Cumulative amount on December 31 | <u><u>\$ 23,579</u></u>                | <u><u>25,545</u></u> |

(Continued)

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

7) Actuarial assumptions

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

|                             | <u>2020.12.31</u> | <u>2019.12.31</u> |
|-----------------------------|-------------------|-------------------|
| Discount rate               | 0.625 %           | 1.000 %           |
| Future salary increase rate | 2.500 %           | 3.000 %           |

Based on the actuarial report, the Company is expected to make a contribution payment of \$2,310 thousand to the defined benefit plans for the one year period after the reporting date of 2020.

The weighted-average duration of the defined benefit plans is 12.1 years.

8) Sensitivity analysis

As of December 31, 2020 and 2019, the changes in the principal actuarial assumptions that will impact on the present value of defined benefit obligation are as follows:

|                             | <u>Impact on Present Value of<br/>Defined Benefit Obligations</u> |                              |
|-----------------------------|-------------------------------------------------------------------|------------------------------|
|                             | <u>Increase by<br/>0.25%</u>                                      | <u>Decrease by<br/>0.25%</u> |
| December 31, 2020           |                                                                   |                              |
| Discount rate               | \$ (1,178)                                                        | 1,225                        |
| Future salary increase rate | 1,177                                                             | (1,135)                      |
| December 31, 2019           |                                                                   |                              |
| Discount rate               | (1,429)                                                           | 1,479                        |
| Future salary increase rate | 1,419                                                             | (1,377)                      |

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, 2020 and 2019 amounted to \$7,250 thousand and \$7,195 thousand, respectively.

(Continued)



# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

- (iii) As of December 31, 2020 and 2019, the Company's employee benefits retirement expenses amounted to \$207 thousand and \$228 thousand, respectively.

(q) Income taxes

- (i) The income taxes expense for the years ended December 31, 2020 and 2019 are as follows:

|                                  | <b>For the Years Ended December 31</b> |                 |
|----------------------------------|----------------------------------------|-----------------|
|                                  | <b>2020</b>                            | <b>2019</b>     |
| Current income taxes expense     |                                        |                 |
| Current period incurred          | \$ 32,753                              | 47,499          |
| Surtax on undistributed earnings | 6,551                                  | 32,242          |
| Adjustment for prior periods     | (12,761)                               | (1,393)         |
|                                  | <u>26,543</u>                          | <u>78,348</u>   |
| Deferred benefit gains           |                                        |                 |
| Gains on foreign exchange        | (1,070)                                | (519)           |
| Gains from overseas investment   | (8,221)                                | (1,793)         |
| Gains from sales leaseback       | (13,084)                               | (13,084)        |
|                                  | <u>(22,375)</u>                        | <u>(15,396)</u> |
| Income tax expense               | <u>\$ 4,168</u>                        | <u>62,952</u>   |

Income tax on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2020 and 2019 are as follows:

|                                                                | <b>For the Years Ended December 31</b> |               |
|----------------------------------------------------------------|----------------------------------------|---------------|
|                                                                | <b>2020</b>                            | <b>2019</b>   |
| Profit before income tax                                       | \$ 561,626                             | 571,679       |
| Income tax expense at domestic statutory tax rate              | 112,325                                | 114,336       |
| Investment losses accounted for using equity method            | (91,794)                               | (71,503)      |
| Domestic investment incomes under Article 42 of Income Tax Act | (5,681)                                | (5,639)       |
| Change on unrecognized temporary differences                   | 579                                    | (2,762)       |
| 5% surtax on undistributed earnings                            | 6,551                                  | 32,242        |
| Prior overestimate/underestimate income tax                    | (12,761)                               | (1,393)       |
| Others                                                         | (5,051)                                | (2,329)       |
| Income tax expense                                             | <u>\$ 4,168</u>                        | <u>62,952</u> |

(Continued)

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The unrecognized deferred tax assets are as follows:

|                                  | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------------------|------------------------------|------------------------------|
| Deductible temporary differences | <b>\$ <u>4,297</u></b>       | <b><u>3,718</u></b>          |

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 are as follows:

Deferred tax assets:

|                                     | <b>Gain on Non-<br/>performing Loan</b> |
|-------------------------------------|-----------------------------------------|
| <b>Balance on January 1, 2020</b>   | <b>\$ <u>9,206</u></b>                  |
| <b>Balance on December 31, 2020</b> | <b><u>9,206</u></b>                     |
| <b>Balance on January 1, 2019</b>   | <b>\$ <u>9,206</u></b>                  |
| <b>Balance on December 31, 2019</b> | <b><u>9,206</u></b>                     |

Deferred tax liabilities:

|                                     | <b>Land Value<br/>Increment</b> | <b>Foreign<br/>Exchange<br/>Gains<br/>(Losses)</b> | <b>Gains from<br/>Overseas<br/>Investment</b> | <b>Gains from<br/>Sale<br/>Leaseback</b> | <b>Total</b>          |
|-------------------------------------|---------------------------------|----------------------------------------------------|-----------------------------------------------|------------------------------------------|-----------------------|
| <b>Balance on January 1, 2020</b>   | \$ 28,979                       | (158)                                              | 290,274                                       | 114,488                                  | 433,583               |
| Debit (credit) on income statement  | -                               | (1,070)                                            | (8,221)                                       | (13,084)                                 | (22,375)              |
| <b>Balance on December 31, 2020</b> | <b>\$ <u>28,979</u></b>         | <b><u>(1,228)</u></b>                              | <b><u>282,053</u></b>                         | <b><u>101,404</u></b>                    | <b><u>411,208</u></b> |
| <b>Balance on January 1, 2019</b>   | \$ 28,979                       | 361                                                | 292,067                                       | 127,572                                  | 448,979               |
| Debit (credit) on income statement  | -                               | (519)                                              | (1,793)                                       | (13,084)                                 | (15,396)              |
| <b>Balance on December 31, 2019</b> | <b>\$ <u>28,979</u></b>         | <b><u>(158)</u></b>                                | <b><u>290,274</u></b>                         | <b><u>114,488</u></b>                    | <b><u>433,583</u></b> |

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

(r) Share capital and other interests

(i) Ordinary shares

As of December 31, 2020 and 2019, the authorized capital of the Company consisted of 5,000,000 thousand shares, with par value of \$10 per share. The outstanding shares were amounted to \$3,761,221 thousand and \$3,852,521 thousand and the capital that arose from the shares had all been retrieved.

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

#### (ii) Capital surplus

The components of the capital surplus are as follows:

|                                                                                         | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-----------------------------------------------------------------------------------------|------------------------------|------------------------------|
| From issuance of share capital                                                          | \$ 611,272                   | 626,110                      |
| Employee stock option of subsidiaries                                                   | 33,352                       | 33,352                       |
| From conversion of convertible bonds                                                    | 843,035                      | 863,499                      |
| Changes in equity of associates and of joint ventures accounted for using equity method | 143                          | 143                          |
|                                                                                         | <b><u>\$ 1,487,802</u></b>   | <b><u>1,523,104</u></b>      |

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

#### (iii) Retained earnings

The Company's Articles of Incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval. If all or part of the aforementioned employees' compensation is distributed in cash, the resolution will be approved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, and the distribution shall be submitted to the shareholders' meeting.

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

##### 1) Legal reserve

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

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

#### 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 reserve 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, 2020 and 2019, the Company recognized the special reserve related to all IFRSs adjustments amounted to \$49,081 thousand. When the debit balance of any of the contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

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

#### 3) Earnings distribution

The appropriations of the Company's 2019 and 2018 earnings were based on the resolutions decided during the meetings of the Board of Directors and shareholders held on May 12, 2020 and June 24, 2019, respectively. These earnings are appropriated as follows:

|                                  | For the Years Ended December 31 |                |                    |                  |
|----------------------------------|---------------------------------|----------------|--------------------|------------------|
|                                  | 2019                            |                | 2018               |                  |
|                                  | Allotment<br>(NTD)              | Amount         | Allotment<br>(NTD) | Amount           |
| Common stock dividends per share |                                 |                |                    |                  |
| Cash                             | \$ 0.92                         | <u>346,727</u> | 2.70               | <u>1,040,181</u> |

#### (iv) Treasury shares

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

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

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

### (v) Other equity (net of tax)

|                                                       | Exchange<br>Differences on<br>Translation<br>of Foreign<br>Financial<br>Statements | Unrealized<br>Gains<br>(Losses) from<br>Financial<br>Assets<br>Measured at<br>FVOCI | Total           |
|-------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------|
| Balance on January 1, 2020                            | \$ (143,749)                                                                       | 87,640                                                                              | (56,109)        |
| Exchange differences on foreign operations            | 175,947                                                                            | -                                                                                   | 175,947         |
| Unrealized gain on financial assets measured at FVOCI | -                                                                                  | 6,193                                                                               | 6,193           |
| Balance on December 31, 2020                          | <u>\$ 32,198</u>                                                                   | <u>93,833</u>                                                                       | <u>126,031</u>  |
| 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                          | <u>\$ (143,749)</u>                                                                | <u>87,640</u>                                                                       | <u>(56,109)</u> |

### (s) Earnings per share

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

|                                                                                               | For the Years Ended December 31 |                |
|-----------------------------------------------------------------------------------------------|---------------------------------|----------------|
|                                                                                               | 2020                            | 2019           |
| <b>Basic earnings per share</b>                                                               |                                 |                |
| Profit attributable to owners of the parent                                                   | \$ <u>557,458</u>               | <u>508,727</u> |
| Weighted average number of ordinary shares                                                    | 385,252                         | 385,252        |
| Effect of Treasury shares                                                                     | (5,212)                         | -              |
| Weighted average number of ordinary shares                                                    | <u>380,040</u>                  | <u>385,252</u> |
| <b>Basic earnings per share</b>                                                               | <u>\$ 1.47</u>                  | <u>1.32</u>    |
| <b>Diluted earnings per share</b>                                                             |                                 |                |
| Profit attributable to owners of the parent (after the adjustment of diluted ordinary shares) | \$ <u>557,458</u>               | <u>508,727</u> |
| Weighted average number of ordinary shares                                                    | 380,040                         | 385,252        |
| Effect of potential diluted ordinary shares                                                   |                                 |                |
| Employee stock option                                                                         | 687                             | 813            |
| Weighted average number of ordinary shares (after the adjustment of diluted ordinary shares)  | <u>380,727</u>                  | <u>386,065</u> |
| <b>Diluted earnings per share</b>                                                             | <u>\$ 1.46</u>                  | <u>1.32</u>    |

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

| For the Year Ended December 31 |                                   |                                     |                  |
|--------------------------------|-----------------------------------|-------------------------------------|------------------|
| 2020                           |                                   |                                     |                  |
|                                | Metal<br>Manufacturing<br>Segment | Lifestyle<br>Hospitality<br>Segment | Total            |
| Major geographic markets:      |                                   |                                     |                  |
| Taiwan                         | \$ 556,038                        | 347,739                             | 903,777          |
| United States                  | 43,559                            | -                                   | 43,559           |
| Canada                         | 118,597                           | -                                   | 118,597          |
| Japan                          | 41,809                            | -                                   | 41,809           |
| China                          | 3,557                             | -                                   | 3,557            |
| Europe                         | 70,536                            | -                                   | 70,536           |
| South America                  | 1,892                             | -                                   | 1,892            |
| Others                         | 30,325                            | -                                   | 30,325           |
|                                | <u>\$ 866,313</u>                 | <u>347,739</u>                      | <u>1,214,052</u> |
| Major product/service lines:   |                                   |                                     |                  |
| Iron casting hardware          | \$ 866,313                        | -                                   | 866,313          |
| Counter commissions            | -                                 | 273,584                             | 273,584          |
| Others                         | -                                 | 74,155                              | 74,155           |
|                                | <u>\$ 866,313</u>                 | <u>347,739</u>                      | <u>1,214,052</u> |
| For the Year Ended December 31 |                                   |                                     |                  |
| 2019                           |                                   |                                     |                  |
|                                | Metal<br>Manufacturing<br>Segment | Lifestyle<br>Hospitality<br>Segment | Total            |
| Major geographic markets:      |                                   |                                     |                  |
| Taiwan                         | \$ 464,107                        | 346,304                             | 810,411          |
| United States                  | 45,806                            | -                                   | 45,806           |
| Canada                         | 73,977                            | -                                   | 73,977           |
| Japan                          | 68,351                            | -                                   | 68,351           |
| China                          | 28,068                            | -                                   | 28,068           |
| Europe                         | 117,924                           | -                                   | 117,924          |
| South America                  | 572                               | -                                   | 572              |
| Others                         | 46,581                            | -                                   | 46,581           |
|                                | <u>\$ 845,386</u>                 | <u>346,304</u>                      | <u>1,191,690</u> |

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

|                              | For the Year Ended December 31    |                                     |                  |
|------------------------------|-----------------------------------|-------------------------------------|------------------|
|                              | 2019                              |                                     |                  |
|                              | Metal<br>Manufacturing<br>Segment | Lifestyle<br>Hospitality<br>Segment | Total            |
| Major product/service lines: |                                   |                                     |                  |
| Iron casting hardware        | \$ 845,386                        | -                                   | 845,386          |
| Counter commissions          | -                                 | 269,599                             | 269,599          |
| Others                       | -                                 | 76,705                              | 76,705           |
|                              | <u>\$ 845,386</u>                 | <u>346,304</u>                      | <u>1,191,690</u> |

(ii) Contract balances

|                                         | December 31,<br>2020 | December 31,<br>2019 | January 1,<br>2019 |
|-----------------------------------------|----------------------|----------------------|--------------------|
| Notes and accounts receivable           | \$ 256,614           | 199,049              | 291,715            |
| Less: Loss allowance                    | (553)                | (6,505)              | (4,022)            |
| Total                                   | <u>\$ 256,061</u>    | <u>192,544</u>       | <u>287,693</u>     |
| Contract assets                         | <u>\$ -</u>          | <u>-</u>             | <u>-</u>           |
| Contract liabilities –Advanced receipts | <u>\$ 7,631</u>      | <u>2,994</u>         | <u>4,530</u>       |

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, 2020 and 2019 that were included in the contract liabilities balance at the beginning of the period were \$1,045 thousand and \$1,996 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.

(u) 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.

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

For the years ended December 31, 2020 and 2019, appropriated employees' compensation by \$16,606 thousand and \$15,662 thousand, respectively, and appropriated remuneration of directors by \$14,826 thousand and \$15,060 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, 2020 and 2019. The number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to Board of Directors meeting. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss.

There was no significant difference between employees' compensation and remuneration of directors approved by the Board of Directors meeting and the estimated amount for the year of 2019.

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.

(v) Net other income and expenses

|                | <b>For the Years Ended December 31</b> |             |
|----------------|----------------------------------------|-------------|
|                | <b>2020</b>                            | <b>2019</b> |
| Rental revenue | \$ -                                   | 3,007       |

(w) Non-operating income and expenses

(i) Interest income

The information on interest income is listed as follows:

|                                                    | <b>For the years ended December 31</b> |             |
|----------------------------------------------------|----------------------------------------|-------------|
|                                                    | <b>2020</b>                            | <b>2019</b> |
| Interest income from bank deposits                 | \$ 6,626                               | 20,031      |
| Interest income from financial guarantee contracts | 13,405                                 | 13,412      |
| Total interest income                              | \$ 20,031                              | 33,443      |

(ii) Other income

The information on other income is listed as follows:

|                    | <b>For the Years Ended December 31</b> |             |
|--------------------|----------------------------------------|-------------|
|                    | <b>2020</b>                            | <b>2019</b> |
| Dividend income    | \$ 28,407                              | 28,196      |
| Others             | 49,477                                 | 35,504      |
| Total other income | \$ 77,884                              | 63,700      |

(Continued)



# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

### (iii) Other gains and losses

|                                                     | <b>For the Years Ended December 31</b> |              |
|-----------------------------------------------------|----------------------------------------|--------------|
|                                                     | <b>2020</b>                            | <b>2019</b>  |
| Gains on disposals of property, plant and equipment | \$ 4,120                               | 1,922        |
| Foreign exchange (losses) gains                     | (38,486)                               | 1,793        |
| Other expenses                                      | (1,176)                                | (360)        |
| Lease modification gains                            | 892                                    | -            |
|                                                     | <b>\$ (34,650)</b>                     | <b>3,355</b> |

### (iv) Finance costs

|                                  | <b>For the Years Ended December 31</b> |               |
|----------------------------------|----------------------------------------|---------------|
|                                  | <b>2020</b>                            | <b>2019</b>   |
| Bank borrowing interest expense  | \$ 79,306                              | 50,819        |
| Lease liability interest expense | 26,083                                 | 28,237        |
| Bank borrowing costs             | 1,748                                  | 1,472         |
|                                  | <b>\$ 107,137</b>                      | <b>80,528</b> |

### (x) Financial instruments

#### (i) Credit risk

##### 1) Credit risk exposure

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

##### 2) Concentration of credit risk

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

#### (ii) Liquidity risk

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

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

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

|                                                         | <u>Contractual<br/>Cash Flow</u> | <u>Within<br/>1 year</u> | <u>Within<br/>1-2 years</u> | <u>Within<br/>2-5 years</u> | <u>Over 5<br/>Years</u> |
|---------------------------------------------------------|----------------------------------|--------------------------|-----------------------------|-----------------------------|-------------------------|
| <b>December 31, 2019</b>                                |                                  |                          |                             |                             |                         |
| 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)              | 203,117                          | 203,117                  | -                           | -                           | -                       |
|                                                         | <u>\$ 9,724,500</u>              | <u>1,224,147</u>         | <u>3,214,167</u>            | <u>3,839,558</u>            | <u>1,446,628</u>        |

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

### (iii) Currency risk

#### 1) Exposure to foreign currency risk

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

|                              | <u>December 31, 2020</u>    |                          |            | <u>December 31, 2019</u>    |                          |            |
|------------------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
|                              | <u>Foreign<br/>Currency</u> | <u>Exchange<br/>Rate</u> | <u>NTD</u> | <u>Foreign<br/>Currency</u> | <u>Exchange<br/>Rate</u> | <u>NTD</u> |
| <u>Financial assets</u>      |                             |                          |            |                             |                          |            |
| <u>Monetary items</u>        |                             |                          |            |                             |                          |            |
| USD                          | \$ 18,795                   | 28.48                    | 535,282    | 22,805                      | 29.98                    | 683,693    |
| EUR                          | 367                         | 35.02                    | 12,849     | 2,304                       | 33.59                    | 77,377     |
| JPY                          | 34,790                      | 0.2763                   | 9,613      | 65,631                      | 0.2760                   | 18,114     |
| CNY                          | 689                         | 4.38                     | 3,015      | 595                         | 4.31                     | 2,566      |
| <u>Financial liabilities</u> |                             |                          |            |                             |                          |            |
| <u>Monetary items</u>        |                             |                          |            |                             |                          |            |
| USD                          | 53                          | 28.48                    | 1,513      | 16                          | 29.98                    | 477        |
| EUR                          | 23                          | 35.02                    | 812        | 23                          | 33.59                    | 763        |
| CNY                          | 18                          | 4.38                     | 77         | 18                          | 4.31                     | 75         |

#### 2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, borrowings, accounts payable and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Company's functional currency as of December 31, 2020 and 2019 would have increased (decreased) the after-tax net income for the years ended December 31, 2020 and 2019 by \$4,467 thousand and \$6,243 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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, 2020 and 2019, the foreign exchange (losses) gains, including both realized and unrealized, were amounted to \$(38,486) thousand and \$1,793, 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 \$68,769 thousand and \$65,642 thousand for the years ended December 31, 2020 and 2019, 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                |                                |                                                |                                |
|--------------|------------------------------------------------|--------------------------------|------------------------------------------------|--------------------------------|
|              | 2020                                           |                                | 2019                                           |                                |
|              | 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% | \$ 19,482                                      | -                              | 21,607                                         | -                              |
| Decrease 10% | \$ (19,482)                                    | -                              | (21,607)                                       | -                              |

(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:

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

|                                                  |              | December 31, 2020 |         |         |         |
|--------------------------------------------------|--------------|-------------------|---------|---------|---------|
|                                                  |              | Fair Value        |         |         |         |
|                                                  | Book Value   | Level 1           | Level 2 | Level 3 | Total   |
| Non-current financial assets at FVOCI            | \$ 194,824   | -                 | -       | 194,824 | 194,824 |
| Financial assets measured at amortized cost      | \$ 1,777,635 | -                 | -       | -       | -       |
| Financial liabilities measured at amortized cost | \$ 9,698,418 | -                 | -       | -       | -       |

|                                                  |              | 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 | \$ 9,261,779 | -                 | -       | -       | -       |

### 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:

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

- 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, 2020 and 2019.

4) Reconciliation of Level 3 instruments

|                                 | <b>Noncurrent Financial<br/>Assets at FVOCI</b>   |
|---------------------------------|---------------------------------------------------|
|                                 | <b>Equity Instrument<br/>without Quoted Price</b> |
| Balance on January 1, 2020      | \$ 216,065                                        |
| Receipts from capital reduction | (21,241)                                          |
| Balance on December 31, 2020    | <b>\$ 194,824</b>                                 |
| 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    | <b>\$ 216,065</b>                                 |

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

|                                                                                                                 | <b>For the Years Ended December 31</b> |               |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------|---------------|
|                                                                                                                 | <b>2020</b>                            | <b>2019</b>   |
| Total gains or losses                                                                                           |                                        |               |
| Recognized as other comprehensive income (which is listed under "unrealized gain on financial assets of FVOCI") | <b>\$ 6,193</b>                        | <b>17,861</b> |

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.

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

Quantified information on significant unobservable inputs is as follows:

| <u>Item</u>                                                          | <u>Valuation Technique</u> | <u>Significant Unobservable Inputs</u>                                                                                                                                                                                                                                                                                                                                                                       | <u>Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement</u>                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial assets at FVOCI - equity investments without active market | Dividend discount model    | <ul style="list-style-type: none"> <li>• Average expected future dividend income of 5 years (As of December 31, 2020 and 2019, were \$17~29,388 and \$0~30,176 thousand.)</li> <li>• Weighted average capital cost (As of December 31, 2020 and 2019, were 4.70% and 3.45%, respectively.)</li> <li>• Discounting rate without market liquidity (As of December 31, 2020 and 2019, were both 15%)</li> </ul> | <ul style="list-style-type: none"> <li>• The estimated fair value would increase, if the 5-year average expected future dividend income is increased.</li> <li>• The estimated fair value would decrease, if the weighted average capital cost is increased.</li> <li>• The estimated fair value would decrease, if the discounting rate without market liquidity is increased.</li> </ul> |

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

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

|                                             | <u>Inputs</u> | <u>Fluctuation in Inputs</u> | <u>Other Comprehensive Income Favourable</u> | <u>Unfavourable</u> |
|---------------------------------------------|---------------|------------------------------|----------------------------------------------|---------------------|
| <b>December 31, 2020</b>                    |               |                              |                                              |                     |
| Financial assets at FVOCI                   |               |                              |                                              |                     |
| Equity investments without an active market | 4.70 %        | 1%                           | 6,755                                        | (6,421)             |
| <b>December 31, 2019</b>                    |               |                              |                                              |                     |
| Financial assets at FVOCI                   |               |                              |                                              |                     |
| Equity investments without an active market | 3.45 %        | 1%                           | 8,103                                        | (7,693)             |

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

(Continued)

## **CHINA METAL PRODUCTS CO., LTD.**

### **Notes to the Financial Statements**

(y) 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, 2020 and 2019, 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.

(Continued)

## **CHINA METAL PRODUCTS CO., LTD.**

### **Notes to the Financial Statements**

#### **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, 2020 and 2019, 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.

(Continued)



## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

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.

(z) 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, 2020, the Company's capital management strategy is consistent with the prior year as of December 31, 2019. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2020 and 2019, is as follows:

|                                 | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities               | \$ 10,171,618                | 9,817,444                    |
| Less: Cash and cash equivalents | (519,514)                    | (800,662)                    |
| Net debt                        | 9,652,104                    | 9,016,782                    |
| Total equity                    | 12,026,394                   | 11,889,197                   |
| Total capital                   | <b>\$ 21,678,498</b>         | <b>20,905,979</b>            |
| Debt-to-capital ratio           | <b>44.52 %</b>               | <b>43.13 %</b>               |

**(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.

| <b>Name of Related Party</b>                             | <b>Relationship with the Company</b> |
|----------------------------------------------------------|--------------------------------------|
| United Elite Agents Limited (UEA)                        | Subsidiaries                         |
| Atrans Precision Industries Co., Ltd. (Atrans Precision) | Subsidiaries                         |
| Sunflower Investment Co., Ltd. (Sunflower Investment)    | Subsidiaries                         |

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

| Name of Related Party                                                                     | Relationship with the Company            |
|-------------------------------------------------------------------------------------------|------------------------------------------|
| The Hotel National Co., Ltd. (The Hotel National)                                         | Subsidiaries                             |
| CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD. (CMAI)                                     | Subsidiaries                             |
| CMJ Co., Ltd. (CMJ)                                                                       | Subsidiaries                             |
| National Management Co., Ltd. (National Management)                                       | Subsidiaries                             |
| PUJEN Land Development Co., Ltd. (PUJEN Land Development)                                 | Subsidiaries                             |
| Pu Sheng Construction Co., Ltd. (Pu Sheng Construction)                                   | Subsidiaries                             |
| Shangrila Tourism Co., Ltd. (Shangrila Tourism)                                           | Subsidiaries                             |
| InterContinental Taichung Co., Ltd. (InterContinental Taichung)                           | Subsidiaries                             |
| Calligraphy Greenway Plaza Co., Ltd. (Calligraphy Greenway Plaza)                         | Subsidiaries                             |
| China Metal International Holdings Inc. (CMI)                                             | Subsidiaries                             |
| China Metal International (BVI) Limited (CMI (BVI))                                       | Subsidiaries                             |
| CMW (Cayman Islands) Co., Ltd. (CMW (C.I.))                                               | Subsidiaries                             |
| CMB (H.K.) Co., Ltd. (CMB (H.K.))                                                         | Subsidiaries                             |
| Suzhou CMB Machinery Co., Ltd. (Suzhou CMB)                                               | Subsidiaries                             |
| CMP (H.K.) Industry Co., Ltd. (CMP (H.K.))                                                | Subsidiaries                             |
| Tianjin CMT Industry Co., Ltd. (Tianjin CMT)                                              | Subsidiaries                             |
| Suzhou CMS Machinery Co., Ltd. (Suzhou CMS)                                               | Subsidiaries                             |
| CMW (Tianjin) Industry Co., Ltd. (CMW (Tianjin))                                          | Subsidiaries                             |
| CMI (Wu Han) Precision Machinery Co., Ltd. (CMH)                                          | Subsidiaries                             |
| Qingdao Sourcing Specialists Trading Co., Ltd. (Qingdao Sourcing Specialists)             | Subsidiaries                             |
| FAR HSING (SAMOA) ENTERPRISE CO., LTD. (FAR HSING (SAMOA))                                | Subsidiaries                             |
| CHINGENG Land Development Co., Ltd. (CHINGENG Land Development)                           | Subsidiaries                             |
| PUJEN CHENGMEI Land Development Co., Ltd. (PUJEN CHENGMEI Land Development)               | Subsidiaries                             |
| PUCHIA Land Development Co., Ltd. (PUCHIA Land Development)                               | Subsidiaries                             |
| 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                           |
| Keng-Hsin Urban Renewal Co. Ltd. (Keng-Hsin Urban Renewal)                                | Associates of subsidiaries               |
| Amida Trustlink Assets Management Co., Ltd. (Amida Trustlink Assets)                      | Associates                               |
| Advancision Corporation (Advancision)                                                     | Subsidiaries of subsidiaries' associates |

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

| Name of Related Party                                  | Relationship with the Company |
|--------------------------------------------------------|-------------------------------|
| Beyond Fitness Co., Ltd. (Beyond Fitness)              | Associates of subsidiaries    |
| Fantasystory Co., Ltd.                                 | Associates of subsidiaries    |
| Mr. Ting Fung, Lin                                     | Key management                |
| Kemitek Industrial Corp. (Kemitek Industrial)          | Other related parties         |
| CMP PUJEN Foundation for Arts and Culture (Foundation) | Other related parties         |
| Mr. Ming Shiann, Ho                                    | Other related parties         |
| Gee Lien Resource Development Corp.                    | Other related parties         |

(c) Significant transactions with related parties

(i) Sales to related parties

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

|                       | <b>For the Years Ended December 31</b> |               |
|-----------------------|----------------------------------------|---------------|
|                       | <b>2020</b>                            | <b>2019</b>   |
| Subsidiaries          | \$ 58,721                              | 96,238        |
| Joint ventures        | 6                                      | 7             |
| Associates            | 187                                    | 7             |
| Other related parties | 168                                    | -             |
|                       | <b>\$ 59,082</b>                       | <b>96,252</b> |

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:

|              | <b>For the Years Ended December 31</b> |             |
|--------------|----------------------------------------|-------------|
|              | <b>2020</b>                            | <b>2019</b> |
| Subsidiaries | \$ 7                                   | -           |

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

(Continued)

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

(iii) Receivables due from related parties

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

| <b>Accounts</b>      | <b>Categories</b>     | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------|-----------------------|------------------------------|------------------------------|
| Accounts receivables | Subsidiaries          | \$ 18,510                    | 24,467                       |
| Accounts receivables | Other related parties | 176                          | -                            |
| Total                |                       | <u>\$ 18,686</u>             | <u>24,467</u>                |
| Other receivables    | Associates            | \$ 43                        | 26                           |
| Other receivables    | Subsidiaries          | 2,569                        | 2,188                        |
| Other receivables    | Joint ventures        | 8                            | -                            |
| Total                |                       | <u>\$ 2,620</u>              | <u>2,214</u>                 |

(iv) Payables due to related parties

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

| <b>Accounts</b>      | <b>Categories</b>     | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------|-----------------------|------------------------------|------------------------------|
| Other payables       | Subsidiaries          | \$ 10,936                    | 6,856                        |
| Other payables       | Joint ventures        | 14                           | 74                           |
| Other payables       | Other related parties | 16                           | 1,255                        |
| Other payables       | Key management        | 85                           | -                            |
| Total                |                       | <u>\$ 11,051</u>             | <u>8,185</u>                 |
| Other notes payables | Other related parties | <u>\$ 4</u>                  | <u>4</u>                     |

(v) Prepayments for equipments

The information on prepayments for equipments is as follows:

|              | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|--------------|------------------------------|------------------------------|
| Subsidiaries | <u>\$ -</u>                  | <u>3,585</u>                 |

(vi) Loans to Related Parties

The loans to related parties is as follows:

|              | <b>December 31,<br/>2020</b> |
|--------------|------------------------------|
| Subsidiaries | <u>\$ 53,615</u>             |

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

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

### (vii) Guarantees and endorsements

The Company guaranteed and endorsed for subsidiaries' and joint ventures' bank loaning. The ending balance of endorsement guarantee was \$2,758,180 thousand and \$2,808,180 thousand and the actual borrowing amount was \$2,199,680 thousand and \$2,217,680 thousand, respectively, as of December 31, 2020 and 2019.

### (viii) Non-performing receivables

|                | <b>Total Claims</b>          |                              |
|----------------|------------------------------|------------------------------|
|                | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
| Joint ventures | <u>\$ 796,845</u>            | <u>796,845</u>               |

|                | <b>Costs of Claims</b>       |                              |
|----------------|------------------------------|------------------------------|
|                | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
| Joint ventures | <u>\$ 575,000</u>            | <u>575,000</u>               |

### (ix) Other transactions

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

|                       | <b>For the Years Ended December 31</b> |              |
|-----------------------|----------------------------------------|--------------|
|                       | <b>2020</b>                            | <b>2019</b>  |
| Subsidiaries          | \$ 5,545                               | 4,347        |
| Joint ventures        | -                                      | 12           |
| Other related parties | 2,883                                  | 2,889        |
|                       | <u>\$ 8,428</u>                        | <u>7,248</u> |

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

|            | <b>For the Years Ended December 31</b> |             |
|------------|----------------------------------------|-------------|
|            | <b>2020</b>                            | <b>2019</b> |
| Associates | <u>\$ 283</u>                          | <u>304</u>  |

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

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

|                | <b>For the Years Ended December 31</b> |               |
|----------------|----------------------------------------|---------------|
|                | <b>2020</b>                            | <b>2019</b>   |
| Subsidiaries   | \$ 9,330                               | 9,248         |
| Joint ventures | 6,250                                  | 5,942         |
|                | <b>\$ 15,580</b>                       | <b>15,190</b> |

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

|                       | <b>For the Years Ended December 31</b> |               |
|-----------------------|----------------------------------------|---------------|
|                       | <b>2020</b>                            | <b>2019</b>   |
| Subsidiaries          | \$ 66,704                              | 65,218        |
| Other related parties | -                                      | 600           |
|                       | <b>\$ 66,704</b>                       | <b>65,818</b> |

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

|                       | <b>For the Years Ended December 31</b> |              |
|-----------------------|----------------------------------------|--------------|
|                       | <b>2020</b>                            | <b>2019</b>  |
| Subsidiaries          | \$ 603                                 | 1,050        |
| Associates            | -                                      | 5            |
| Joint ventures        | -                                      | 60           |
| Other related parties | 63                                     | 81           |
|                       | <b>\$ 666</b>                          | <b>1,196</b> |

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

|                       | <b>For the Years Ended December 31</b> |              |
|-----------------------|----------------------------------------|--------------|
|                       | <b>2020</b>                            | <b>2019</b>  |
| Subsidiaries          | \$ 1,417                               | 2,145        |
| Other related parties | 18                                     | -            |
|                       | <b>\$ 1,435</b>                        | <b>2,145</b> |

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

|                                   | <b>For the Years Ended December 31</b> |             |
|-----------------------------------|----------------------------------------|-------------|
|                                   | <b>2020</b>                            | <b>2019</b> |
| Other related parties: Foundation | \$ 5,580                               | 10,350      |

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

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

|                       | <b>For the Years Ended December 31</b> |                |
|-----------------------|----------------------------------------|----------------|
|                       | <b>2020</b>                            | <b>2019</b>    |
| Subsidiaries          | \$ 172,124                             | 164,655        |
| Other related parties | 1,714                                  | 1,315          |
|                       | <b>\$ 173,838</b>                      | <b>165,970</b> |

- (d) Key management transactions

The compensation of key management is as follows:

|                              | <b>For the Years Ended December 31</b> |               |
|------------------------------|----------------------------------------|---------------|
|                              | <b>2020</b>                            | <b>2019</b>   |
| Short-term employee benefits | \$ 44,579                              | 54,542        |
| Post-employment benefits     | 2,398                                  | 3,772         |
|                              | <b>\$ 46,977</b>                       | <b>58,314</b> |

## (8) Pledged assets

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

| <b>Pledged Assets</b>                         | <b>Object</b>                                                 | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|-----------------------------------------------|---------------------------------------------------------------|--------------------------|--------------------------|
| Land (including other non-current assets)     | The credit limits of long-term and short-term bank borrowings | \$ 13,319                | 13,319                   |
| Buildings                                     | "                                                             | 3,223                    | 3,349                    |
| Investments accounted for using equity method | The credit limits of long-term bank borrowings                | 3,061,530                | 2,989,966                |
| Investments properties—Land                   | "                                                             | 2,294,620                | 2,294,620                |
|                                               |                                                               | <b>\$ 5,372,692</b>      | <b>5,301,254</b>         |

## (9) Significant commitments and contingencies

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

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

|                                    | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|------------------------------------|--------------------------|--------------------------|
| Total contract price               | <b>\$ 2,592,348</b>      | <b>2,621,597</b>         |
| Total amounts paid under contracts | <b>\$ 434,174</b>        | <b>176,759</b>           |

- (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 \$97,092 thousand, as of December 31, 2020 and 2019, respectively.

(Continued)

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

- (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 January 1, 2019, and was depreciated by the contract term.

(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, 2020 and 2019.
- (ii) The stages of Daguangsan petition for real estate transaction and the regarding tax investigation is as follows:

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

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

- (a) The Securities and Futures Investors Protection Center (SFIPC) filed a criminal incidental civil action on behalf of the Company against the former chairman of the Company, Mr. Ming Shiann, Ho. The appeal was handed back over to the High Court for reconsideration on August 22, 2019, which is in trial in the Tainan Branch of Taiwan High Court.
- (b) The SFIPC filed a lawsuit against the Company, its directors and supervisors, and certain employees of the Company. On March 27, 2019, the Supreme Court vacated the original adjudication 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, which is in trial in the Supreme Court.

(Continued)



# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

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

| By item                    | By function     | For the Years Ended December 31 |         |                 |                    |         |
|----------------------------|-----------------|---------------------------------|---------|-----------------|--------------------|---------|
|                            |                 | 2020                            |         |                 | 2019               |         |
|                            | Operating Costs | Operating Expenses              | Total   | Operating Costs | Operating Expenses | Total   |
| Employee benefits          |                 |                                 |         |                 |                    |         |
| Salary                     | 99,086          | 122,049                         | 221,135 | 117,960         | 117,677            | 235,637 |
| Labor and health insurance | 9,577           | 10,555                          | 20,132  | 10,350          | 11,293             | 21,643  |
| Pension                    | 3,186           | 5,004                           | 8,190   | 3,152           | 5,227              | 8,379   |
| Remuneration of directors  | -               | 28,111                          | 28,111  | -               | 32,160             | 32,160  |
| Others                     | 6,105           | 7,242                           | 13,347  | 6,571           | 7,797              | 14,368  |
| Depreciation               | 67,265          | 200,229                         | 267,494 | 66,406          | 200,140            | 266,546 |
| Amortization               | 1,821           | 2,991                           | 4,812   | 1,571           | 2,878              | 4,449   |

For the years ended December 31, 2020 and 2019, the average numbers of Company employees were as follows:

|                                               | 2020          | 2019       |
|-----------------------------------------------|---------------|------------|
| Number of employees                           | <u>318</u>    | <u>343</u> |
| Number of directors (non-employee)            | <u>6</u>      | <u>6</u>   |
| Average employee benefit expense              | <u>\$ 842</u> | <u>831</u> |
| Average employee salary expense               | <u>\$ 709</u> | <u>699</u> |
| Percentage of average employee salary expense | <u>1.43 %</u> |            |
| Remuneration for supervisors                  | <u>\$ -</u>   | <u>-</u>   |

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

(i) Directors:

The Company's current remuneration package to directors is salary, compensation and transportation allowance, etc., all in accordance with The Company's articles. According to Article 27-1 of the Articles of Incorporation, if the Company makes a profit of the year, the remuneration of directors is not more than 2.5% of the profit. The Company also stipulates "Remuneration Policy for Directors, Remuneration Committee, Audit Committee and Managers", considering the Company's business performance, as well as the value of their participation in and contribution to the Company's operations to provide reasonable remuneration. The reasonableness of the related remuneration has been reviewed by the Salary and Compensation Committee and the Board of Directors. The Company setup the Audit Committee on June 19, 2017, and abolished the Supervisor system.

(Continued)

## **CHINA METAL PRODUCTS CO., LTD.**

### **Notes to the Financial Statements**

(ii) Managers and employees:

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

(Continued)

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

### (13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of NTD)

| No. | Lender            | Borrower           | Financial Statement Account                  | Related Parties | Highest Balance During the Period | Ending Balance (Note 1) | Actual Borrowing Amount | Interest Rate | Nature for Financing (Note 2) | Transaction Amount for Business | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral |       | Financing Limit for Each Borrower (Note 3) | Aggregate Financing Limit (Note 4) |
|-----|-------------------|--------------------|----------------------------------------------|-----------------|-----------------------------------|-------------------------|-------------------------|---------------|-------------------------------|---------------------------------|----------------------------------|---------------------------------|------------|-------|--------------------------------------------|------------------------------------|
|     |                   |                    |                                              |                 |                                   |                         |                         |               |                               |                                 |                                  |                                 | Item       | Value |                                            |                                    |
| 0   | The Company       | The Hotel National | Accounts receivable due from related parties | Yes             | 53,615                            | 53,615                  | 53,615                  | 1.15%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 3,607,918                                  | 4,810,557                          |
| 1   | Tianjin CMT       | Suzhou CMB         | Accounts receivable due from related parties | Yes             | 219,000                           | 219,000                 | 219,000                 | 0.75%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 328,948                                    | 438,597                            |
| 1   | Tianjin CMT       | CMW (Tianjin)      | Accounts receivable due from related parties | Yes             | 197,100                           | 197,100                 | 197,100                 | 0.75%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 328,948                                    | 438,597                            |
| 2   | FAR HSING (SAMOA) | Atrans Precision   | Accounts receivable due from related parties | Yes             | 30,250                            | -                       | -                       | 1.00%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 36,792                                     | 49,056                             |
| 3   | Suzhou CMS        | CMH                | Accounts receivable due from related parties | Yes             | 219,000                           | 219,000                 | 219,000                 | 0.75%         | 2                             | -                               | Operation requirements           | -                               |            | -     | 1,139,156                                  | 1,518,874                          |

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                                      | 4,810,557                                                                              | 220,000                                                           | 110,000                 | 62,500                  | -                                                | 0.91 %                                                                                                      | 6,013,197                                               | Y                                                                                         | N                                                                                         | N                                                                                           |
| 0   | The Company               | The Hotel National                         | 1                                      | 4,810,557                                                                              | 100,000                                                           | 50,000                  | 40,000                  | -                                                | 0.42 %                                                                                                      | 6,013,197                                               | Y                                                                                         | N                                                                                         | N                                                                                           |
| 0   | The Company               | Shangrila Tourism                          | 1                                      | 4,810,557                                                                              | 702,500                                                           | 652,500                 | 431,500                 | -                                                | 5.43 %                                                                                                      | 6,013,197                                               | Y                                                                                         | N                                                                                         | N                                                                                           |
| 0   | The Company               | The Splendor Hospitality                   | 2                                      | 4,810,557                                                                              | 2,150,000                                                         | 1,900,000               | 1,620,000               | -                                                | 15.80 %                                                                                                     | 6,013,197                                               | N                                                                                         | N                                                                                         | N                                                                                           |
| 0   | The Company               | CMAAN Health                               | 2                                      | 4,810,557                                                                              | 45,680                                                            | 45,680                  | 45,680                  | -                                                | 0.38 %                                                                                                      | 6,013,197                                               | N                                                                                         | N                                                                                         | N                                                                                           |
| 1   | CMAI N.A.                 | Pilot                                      | 4                                      | 51,753                                                                                 | 57,228                                                            | 47,129                  | 47,129                  | -                                                | 91.07 %                                                                                                     | 51,753                                                  | N                                                                                         | N                                                                                         | N                                                                                           |
| 2   | CMI                       | UEA                                        | 3                                      | 4,023,269                                                                              | 1,524,432                                                         | 1,229,597               | 1,229,597               | -                                                | 12.22 %                                                                                                     | 5,029,087                                               | N                                                                                         | N                                                                                         | N                                                                                           |

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

- Note 1: 1.The Company held directly or indirectly more than 50% of the shares with voting rights.  
 2.Due to the joint investment relationship, all of the shareholders of the Group endorse the company in accordance with their investment ratio.  
 3.The company held directly or indirectly more than 50% of the shares with voting rights.  
 4.The company held directly or indirectly more than 90% of the shares with voting rights.
- Note 2: Balance of guarantees and endorsements as of the reporting date was within the credit limit approved by the Board of Directors.
- Note 3: The following three situations are filled in Y: the endorsement of the subsidiary by the Company; the endorsement of the Company by the subsidiary and the endorsement to the company located in Mainland China.
- Note 4: The guarantor's total amount available for guarantee and endorsement shall not exceed the percentage mentioned below of its net worth: The Company 40%, CMAI N.A.100%, and CMI 40%.
- Note 5: The guarantor's total amount available for guarantee and endorsement shall not exceed the percentage mentioned below of its net worth: The Company 50%, CMAI N.A.100%, and CMI 50%.

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of NTD)

| Name of Holder       | Category and Name of Security           | Relationship with Issued Company | Account                                                                       | Ending Balance |                |                             |            | Note |
|----------------------|-----------------------------------------|----------------------------------|-------------------------------------------------------------------------------|----------------|----------------|-----------------------------|------------|------|
|                      |                                         |                                  |                                                                               | Shares/Units   | Carrying Value | Percentage of Ownership (%) | Fair Value |      |
| The Company          | MEITA Industrial Co., Ltd.              | The Company is the legal person  | Financial assets at fair value through other comprehensive income—non-current | 1,351,164      | 135,300        | 3.12 %                      | 135,300    |      |
| The Company          | YUHUA Venture Capital Co., Ltd.         | -                                | Financial assets at fair value through other comprehensive income—non-current | 73,173         | 435            | 1.25 %                      | 435        |      |
| The Company          | FUHUA Venture Capital Co., Ltd.         | -                                | Financial assets at fair value through other comprehensive income—non-current | 51,975         | 1,574          | 1.67 %                      | 1,574      |      |
| The Company          | GUANGYUAN Investment Co., Ltd.          | -                                | Financial assets at fair value through other comprehensive income—non-current | 3,750,000      | 31,580         | 3.91 %                      | 31,580     |      |
| The Company          | DEVELOPMENT Venture Capital Co., Ltd.   | The Company is the legal person  | Financial assets at fair value through other comprehensive income—non-current | 4,400,000      | 25,935         | 4.00 %                      | 25,935     |      |
| The Company          | Pacific Electric Wire & Cable Co., Ltd. | -                                | Current financial assets at FVTPL                                             | 81,666         | -              | 0.01 %                      | -          |      |
| Sunflower Investment | YungTay Engineering Co., Ltd.           | -                                | Financial assets at fair value through other comprehensive income—non-current | 1,001,000      | 62,763         | 0.24 %                      | 62,763     |      |
| Sunflower Investment | IL.COM, INC                             | -                                | Financial assets at fair value through other comprehensive income—non-current | 100,000        | -              | 0.52 %                      | -          |      |
| The Hotel National   | Century National Technology Co., Ltd.   | -                                | Financial assets at fair value through other comprehensive income—non-current | 35,600         | -              | 2.34 %                      | -          |      |
| Atrans Precision     | Acore Material                          | -                                | Financial assets at fair value through other comprehensive income—non-current | 42,466         | -              | 2.12 %                      | -          |      |

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the capital stock: None
- (v) Information on the acquisition of real estate exceeding NT\$300 million or 20% of the capital stock: None
- (vi) Information on the disposal of real estate exceeding of NT\$300 million or 20% of the capital stock: None

## CHINA METAL PRODUCTS CO., LTD.

### Notes to the Financial Statements

- (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                | 815,476   | 30.11 %                             | 120~180 days  | -                                             | -             | 1,337,050                           | 67.85%                                                  |      |
| CMW (Tianjin)   | CMW (C.I.)    | Subsidiaries           | Sale                | 1,042,064 | 29.67 %                             | 120~180 days  | -                                             | -             | 1,726,917                           | 57.77%                                                  |      |

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

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

(In Thousands of NTD/In CNY)

| Name of Company | Counter-party | Nature of Relationship | Ending Balance                                                | Turnover Rate | Overdue |              | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-----------------|---------------|------------------------|---------------------------------------------------------------|---------------|---------|--------------|---------------------------------------|-------------------------|
|                 |               |                        |                                                               |               | Amount  | Action Taken |                                       |                         |
| CMI             | CMB (H.K.)    | Parent company         | Accounts receivable due from related parties, other 164,159   | -             | -       | -            | -                                     | -                       |
| CMW (C.I.)      | CMI           | Subsidiaries           | Accounts receivable due from related parties, other 2,211,513 | -             | -       | -            | CNY 60,400,000                        | -                       |
| CMP (H.K.)      | CMI           | Subsidiaries           | Accounts receivable due from related parties, other 354,923   | -             | -       | -            | -                                     | -                       |
| CMW (Tianjin)   | CMW (C.I.)    | Subsidiaries           | Accounts receivable due from related parties 1,726,917        | 0.64          | -       | -            | CNY 83,104,800                        | -                       |
| Tianjin CMT     | CMI           | Subsidiaries           | Accounts receivable due from related parties 270,603          | -             | -       | -            | -                                     | -                       |
| Tianjin CMT     | CMW (Tianjin) | Affiliates             | Accounts receivable due from related parties, other 197,100   | -             | -       | -            | -                                     | -                       |
| Tianjin CMT     | Suzhou CMB    | Affiliates             | Accounts receivable due from related parties, other 219,000   | -             | -       | -            | -                                     | -                       |
| Suzhou CMS      | CMI           | Subsidiaries           | Accounts receivable due from related parties 1,337,050        | 0.62          | -       | -            | CNY 62,159,473                        | -                       |
| Suzhou CMS      | CMH           | Affiliates             | Accounts receivable due from related parties, other 219,000   | -             | -       | -            | -                                     | -                       |

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

- (ix) Trading in derivative instruments:None

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (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, 2020 |                         |                | Net Income (Losses) of Investee | Share of Profits/Losses of Investee | Note                                             |
|------------------|--------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|--------------------------------------------------|
|                  |                          |                        |                                                                                                                             | December 31, 2020          | December 31, 2019 | Shares                          | Percentage of Ownership | Carrying Value |                                 |                                     |                                                  |
| The Company      | UEA                      | British Virgin Islands | Investing in CMI                                                                                                            | 865,286                    | 865,286           |                                 | 100.00 %                | 7,248,073      | 541,692                         | 541,692                             | Subsidiaries                                     |
| The Company      | Sunflower Investment     | Taiwan                 | Investing                                                                                                                   | 99,000                     | 99,000            | 67,006,291                      | 99.00 %                 | 920,427        | 46,022                          | 45,562                              | Subsidiaries                                     |
| The Company      | Atrans Precision         | Taiwan                 | Vehicle parts processing                                                                                                    | 247,218                    | 236,780           | 25,782,134                      | 72.24 %                 | 372,056        | (65,453)                        | (48,228)                            | Subsidiaries                                     |
| The Company      | CMJ                      | Japan                  | Cast iron product retailing                                                                                                 | 4,887                      | 4,887             | 500                             | 83.33 %                 | 77,382         | 22,062                          | 18,385                              | Subsidiaries                                     |
| The Company      | CMAI                     | Hong Kong              | Vehicle parts retailing                                                                                                     | 15,466                     | 71,644            | 940,000                         | 94.00 %                 | 134,696        | 2,398                           | 2,254                               | Subsidiaries                                     |
| The Company      | Pu Sheng Construction    | Taiwan                 | Residents, commercial buildings and factories leasing and developing                                                        | 30                         | 30                | 3,000                           | 30.00 %                 | 239            | 11,100                          | (2,214)                             | Subsidiaries                                     |
| The Company      | PUJEN Land Development   | Taiwan                 | Residents, commercial buildings and factories leasing and developing                                                        | 2,003,067                  | 2,003,067         | 158,877,643                     | 56.65 %                 | 4,111,233      | 498,999                         | 247,078                             | 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)       | (758)                           | -                                   | 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 | 1,305,233                  | 1,304,549         | 31,200,000                      | 100.00 %                | 746,172        | (40,481)                        | (42,372)                            | Subsidiaries                                     |
| The Company      | National Management      | Taiwan                 | Management and consulting services                                                                                          | 10,000                     | 10,000            | 1,000,000                       | 100.00 %                | 16,819         | 2,025                           | 2,025                               | Subsidiaries                                     |
| The Company      | The Splendor Hospitality | Taiwan                 | International tourist hotel services                                                                                        | 975,000                    | 975,000           | 97,500,000                      | 50.00 %                 | 253,251        | (128,840)                       | (77,499)                            | 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 %                 | 194,399        | (11,625)                        | (8,111)                             | Subsidiaries                                     |

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

| Name of Investor       | Name of Investee                | Location               | Main Businesses                                                                            | Original Investment Amount |                   | Balance as of December 31, 2020 |                         |                   | Net Income (Losses) of Investee | Share of Profits/Losses of Investee | Note                                                                       |
|------------------------|---------------------------------|------------------------|--------------------------------------------------------------------------------------------|----------------------------|-------------------|---------------------------------|-------------------------|-------------------|---------------------------------|-------------------------------------|----------------------------------------------------------------------------|
|                        |                                 |                        |                                                                                            | December 31, 2020          | December 31, 2019 | Shares                          | Percentage of Ownership | Carrying Value    |                                 |                                     |                                                                            |
| The Company            | CMAAN Health                    | Taiwan                 | Management and consulting services                                                         | 50,000                     | 50,000            | 5,000,000                       | 50.00 %                 | 37,593            | (17,867)                        | (9,258)                             | Joint ventures accounted for using equity method                           |
| The Company            | Inter Continental Taichung      | Taiwan                 | International tourist hotel services                                                       | 300                        | -                 | 30,000                          | 100.00 %                | 248               | (52)                            | (52)                                | Subsidiaries                                                               |
| The Company            | Calligraphy Greenway Plaza      | Taiwan                 | Management and consulting services                                                         | 30,000                     | -                 | 3,000,000                       | 100.00 %                | 29,940            | (60)                            | (60)                                | Subsidiaries                                                               |
| Sunflower Investment   | PUJEN Land Development          | Taiwan                 | Residents, commercial buildings and factories leasing and developing                       | 280,768                    | 280,768           | 42,269,213                      | 15.07 %                 | 1,058,446         | 498,999                         | Exempt from disclosure              | Subsidiaries of the Company                                                |
| Sunflower Investment   | Atrans Precision                | Taiwan                 | Vehicle parts processing                                                                   | 77,836                     | 77,836            | 4,737,380                       | 13.27 %                 | 68,014            | (65,453)                        | Exempt from disclosure              | Subsidiaries of the Company                                                |
| Sunflower Investment   | Amida Trustlink Assets          | Taiwan                 | Real estate developing, leasing and financial claims acquiring from financial institutions | -                          | -                 | 5,951,619                       | 12.50 %                 | (7,727)           | (758)                           | Exempt from disclosure              | Investee accounted for using equity method                                 |
| Sunflower Investment   | ADVANCISION (CAYMAN)            | Cayman Islands         | Investing and cast iron product retailing                                                  | 29,154                     | 29,154            | 1,871,288                       | 4.46 %                  | 28,747            | (68,063)                        | Exempt from disclosure              | Investee accounted for using equity method                                 |
| Sunflower Investment   | Fantasystory                    | Taiwan                 | Interior design, landscape design, and urban renewal                                       | 19,793                     | 19,793            | 1,742,746                       | 19.80 %                 | 18,133            | (8,673)                         | 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 295,917,151   | USD 24,015,661                  | 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 1,196,638,954 | CNY 78,209,772                  | Exempt from disclosure              | Subsidiaries of CMI                                                        |
| CMI                    | CMW (C.I.)                      | Cayman Islands         | Investing in CMW (Tianjin) and CMH                                                         | USD 75,156,500             | USD 75,156,500    | 50,000,000                      | 100.00 %                | CNY 1,741,547,268 | CNY 53,739,281                  | 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 575,720,185   | CNY (10,032,189)                | 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 1,198,999,591 | CNY 78,209,772                  | Exempt from disclosure              | Subsidiaries of CMI (BVI)                                                  |
| CMAI                   | CMAI Holding                    | USA                    | Investing                                                                                  | USD 8,328,644              | USD 8,328,644     | 10,000                          | 100.00 %                | USD 2,666,709     | USD 79,138                      | Exempt from disclosure              | Subsidiaries of CMAI                                                       |
| CMAI Holding           | Pilot                           | USA                    | Assets leasing                                                                             | USD 8,328,644              | USD 8,328,644     | -                               | 100.00 %                | USD 2,666,709     | USD 79,138                      | Exempt from disclosure              | Subsidiaries of CMAI Holding                                               |
| Pilot                  | CMAI N.A.                       | USA                    | Vehicle parts retailing                                                                    | USD 7,792,972              | USD 7,792,972     | 10,000                          | 100.00 %                | USD 1,817,170     | USD (18,197)                    | Exempt from disclosure              | Subsidiaries of Pilot                                                      |
| Atrans Precision       | FAR HSING (SAMOA)               | SAMOA                  | Investing                                                                                  | USD 3,922,055              | USD 4,922,055     | 3,922,055                       | 100.00 %                | 122,642           | (14,314)                        | Exempt from disclosure              | Subsidiaries of Atrans Precision                                           |
| Atrans Precision       | Acore Material                  | Taiwan                 | Mechanical equipment, electronic parts and other equipment manufacturing                   | -                          | 31,000            | -                               | - %                     | -                 | (8,192)                         | Exempt from disclosure              | Non-current financial assets at FVOCI 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 4,165,572     | USD (2,302,466)                 | 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 %                 | 159               | 11,100                          | 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 %                 | 311,213           | (22,669)                        | 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                     | 72,500            | 7,250,000                       | 50.00 %                 | 69,355            | (270)                           | Exempt from disclosure              | Subsidiaries of PUJEN Land Development                                     |
| PUJEN Land Development | PUJEN CHENGMEI Land Development | Taiwan                 | Residents, commercial buildings and factories leasing and developing                       | 94,500                     | 59,500            | 9,450,000                       | 70.00 %                 | 69,065            | (9,757)                         | 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 %                 | 27,819            | (166)                           | 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 %                 | 48,600            | (11,625)                        | 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 %                 | 5,139             | 117                             | Exempt from disclosure              | Joint ventures of PUJEN Land Development accounted for using equity method |
| PUJEN Land Development | Beyond Fitness                  | Taiwan                 | Sport training and other consulting service                                                | 4,050                      | 4,050             | 405,000                         | 36.82 %                 | 5,043             | 4,397                           | Exempt from disclosure              | Investees of PUJEN Land Development accounted for using equity method      |

# CHINA METAL PRODUCTS CO., LTD.

## Notes to the Financial Statements

(c) Information on investment in mainland China:

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

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

| Name of Investee             | Main Businesses                                                                                                                                                             | Total Amount of Paid-in Capital | Method of Investment (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2020 | Investment Flows |        | Accumulated Outflow of Investment from Taiwan as of December 31, 2020 | 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                                                                        | 854,400<br>(USD 30,000 )        | 2                             | 388,238                                                             | -                | -      | 388,238                                                               | (27,736)<br>(CNY (6,480))           | 82.55%                  | (22,896)<br>(CNY (5,350))              | 1,096,493<br>(CNY 250,341 ) | 82,542                                                        |
| Suzhou CMS                   | Cast iron products, machine parts and vehicle parts designing, developing, manufacturing and selling                                                                        | 683,520<br>(USD 24,000 )        | 2                             | 423,406                                                             | -                | -      | 423,406                                                               | 371,339<br>(CNY86,761)              | 82.55%                  | 306,434<br>(CNY71,597 )                | 3,798,057<br>(CNY 867,136 ) | 14,601                                                        |
| Suzhou CMB                   | Cast iron product designing, manufacturing and retailing                                                                                                                    | 2,335,360<br>(USD 82,000 )      | 2                             | -                                                                   | -                | -      | -                                                                     | (38,034)<br>(CNY(8,887))            | 82.55%                  | (31,397)<br>(CNY (7,336))              | 2,694,492<br>(CNY 615,181 ) | -                                                             |
| CMW (Tianjin)                | Vehicle parts, E&M as-casting and finished product developing, manufacturing and selling                                                                                    | 911,360<br>(USD 32,000 )        | 2                             | -                                                                   | -                | -      | -                                                                     | 350,450<br>(CNY81,881)              | 82.55%                  | 301,463<br>(CNY70,435 )                | 4,665,656<br>(CNY1,065,218) | -                                                             |
| 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 | 911,360<br>(USD 32,000 )        | 2                             | -                                                                   | -                | -      | -                                                                     | (15,972)<br>(CNY(3,732))            | 82.55%                  | (13,185)<br>(CNY(3,081))               | 957,437<br>(CNY218,593)     | -                                                             |
| Qinxin Trade                 | Vehicle parts retailing                                                                                                                                                     | -                               | 2<br>(Note 6)                 | -                                                                   | -                | -      | -                                                                     | (3,921)<br>(USD(133))               | -%                      | (3,686)<br>(USD(125))                  | -                           | -                                                             |
| Qingdao Sourcing Specialists | Cast iron product retailing                                                                                                                                                 | 2,848<br>(USD 100 )             | 2                             | -                                                                   | -                | -      | -                                                                     | 12,411<br>(JPY44,820)               | 83.33%                  | 10,342<br>(JPY 37,349 )                | 44,742<br>(JPY161,934)      | -                                                             |

(ii) Limitation on investment in Mainland China:

(In Thousands of NTD and USD)

| Accumulated Investment in Mainland China as of December 31, 2020 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on Investment (Note 4) |
|------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------|
| 811,644                                                          | 5,941,526<br>(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, with the valid period from March 3, 2020 to March 2, 2023. The restriction on the cumulative investment amount or proportion in China is not applicable.

Note 5: As of December 31, 2020, the Company had obtained a surplus of \$2,459,512 thousand (USD80,255 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 cancellation of business registration of Qinxin Trade has been completed on June 22, 2020. And the proceeds from the cancellation of shares have been remitted on December 31, 2020.

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

(iii) Significant transactions: None

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

(d) Major shareholders:

| <b>Shareholder's Name</b>       | <b>Shareholding</b> | <b>Shares</b> | <b>Percentage</b> |
|---------------------------------|---------------------|---------------|-------------------|
| Chain-Yuan Investment Co., Ltd. |                     | 50,014,965    | 13.29 %           |
| Fubon Life Assurance Co., Ltd.  |                     | 27,944,000    | 7.42 %            |
| Mr. Ming Shiann, Ho             |                     | 26,312,540    | 6.99 %            |

**(14) Segment information:**

The segment information please refer to the consolidated financial statement for the year ended December 31, 2020.



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

**Statement of Cash and Cash Equivalents**

**December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

| <b>Item</b>     | <b>Description</b>                               | <b>Amount</b>            |
|-----------------|--------------------------------------------------|--------------------------|
| Cash on hand    |                                                  | \$ 1,400                 |
| Cash in transit |                                                  | 2,512                    |
| Cash in banks   | Checking accounts deposits                       | 1,468                    |
|                 | Demand deposits                                  | 227,237                  |
|                 | Foreign currency deposits USD7,281 thousand      | 207,377                  |
|                 | EUR6 thousand                                    | 218                      |
|                 | JPY6,889 thousand                                | 1,903                    |
|                 | CNY609 thousand                                  | 2,667                    |
|                 | Foreign currency time deposits USD2,624 thousand | 74,732                   |
|                 |                                                  | <u><u>\$ 519,514</u></u> |

**Statement of Inventories**

| <b>Item</b>                                       | <b>Amount</b>           |                             | <b>Note</b> |
|---------------------------------------------------|-------------------------|-----------------------------|-------------|
|                                                   | <b>Cost</b>             | <b>Net Realizable Value</b> |             |
| Raw materials                                     | \$ 7,211                | 5,486                       | NRV         |
| Materials                                         | 6,267                   | 5,454                       | "           |
| Work in process                                   | 22,710                  | 22,710                      | "           |
| Semi-finished goods                               | 28,631                  | 26,492                      | "           |
| Finished goods (including inventories in transit) | 36,595                  | 27,320                      | "           |
| Merchandise                                       | 5,644                   | 5,644                       | "           |
| Less: Allowance for inventory write-down          | (13,952)                | -                           |             |
| Total                                             | <u><u>\$ 93,106</u></u> | <u><u>93,106</u></u>        |             |

CHINA METAL PRODUCTS CO., LTD.

Statement of Changes in Investments Accounted for Using the Equity Method

December 31, 2020

(In Thousands of New Taiwan Dollars)

| Long-term investments              | 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 |
|                                    |                                                           |                   |               |           |        |           |         |                                                                         |                                                                    |                                                                    |                                                                                    |                                                                                                           |                |                         |                                  |            |            |              |
|                                    |                                                           |                   |               |           |        |           |         |                                                                         |                                                                    |                                                                    |                                                                                    |                                                                                                           |                |                         |                                  |            |            |              |
| Accounted for using equity method: |                                                           |                   |               |           |        |           |         |                                                                         |                                                                    |                                                                    |                                                                                    |                                                                                                           |                |                         |                                  |            |            |              |
|                                    | United Elite Agents Limited (Note 1)                      | 667,820           | \$ 6,773,893  | -         | -      | -         | 245,515 | 541,692                                                                 | 178,003                                                            | -                                                                  | -                                                                                  | -                                                                                                         | 667,820        | 100.00                  | 7,248,073                        | 10,822.01  | 7,227,158  | None         |
|                                    | Sunflower Investment Co., Ltd.                            | 67,006,291        | 867,468       | -         | -      | -         | -       | 45,562                                                                  | 1,184                                                              | -                                                                  | 20                                                                                 | 6,193                                                                                                     | 67,006,291     | 99.00                   | 920,427                          | 13.74      | 920,427    | "            |
|                                    | Atans Precision Industries Co., Ltd.                      | 25,149,502        | 406,647       | 632,632   | 10,438 | -         | -       | (48,228)                                                                | 4,064                                                              | (1,136)                                                            | 271                                                                                | -                                                                                                         | 25,782,134     | 72.24                   | 372,056                          | 14.36      | 370,281    | "            |
|                                    | CMJ Co., Ltd. (Note 1)                                    | 500               | 64,243        | -         | -      | -         | 5,822   | 18,385                                                                  | 576                                                                | -                                                                  | -                                                                                  | -                                                                                                         | 500            | 83.33                   | 77,382                           | 154,764.49 | 77,382     | "            |
|                                    | Anida Trustlink Assets Management Co., Ltd.               | 16,763,726        | (21,760)      | -         | -      | -         | -       | -                                                                       | -                                                                  | -                                                                  | -                                                                                  | -                                                                                                         | 16,763,726     | 35.21                   | (21,760)                         | 0.62       | 10,457     | "            |
|                                    | CHINA METAL AUTOMOTIVE INTERNATIONAL CO., LTD.            | 2,820,000         | 196,500       | -         | -      | 1,880,000 | 56,178  | 2,254                                                                   | (7,880)                                                            | -                                                                  | -                                                                                  | -                                                                                                         | 940,000        | 94.00                   | 134,696                          | 143.29     | 134,696    | "            |
|                                    | Pu Sheng Construction Co., Ltd. (Note 1)                  | 3,000             | 9,983         | -         | -      | -         | 7,530   | (2,214)                                                                 | -                                                                  | -                                                                  | -                                                                                  | -                                                                                                         | 3,000          | 30.00                   | 239                              | 192.72     | 5,782      | "            |
|                                    | PUJEN Land Development Co.,Ltd. (Note 1)                  | 158,877,643       | 3,911,930     | -         | -      | -         | 47,663  | 247,078                                                                 | -                                                                  | -                                                                  | (112)                                                                              | -                                                                                                         | 158,877,643    | 56.65                   | 4,111,233                        | 25.28      | 4,016,147  | Note3        |
|                                    | The Hotel National Co., Ltd.                              | 31,200,000        | 787,160       | -         | 684    | -         | -       | (42,372)                                                                | -                                                                  | -                                                                  | 700                                                                                | -                                                                                                         | 31,200,000     | 100.00                  | 746,172                          | (5.49)     | (171,277)  | Note4        |
|                                    | The Splendor Hospitality International Co., Ltd. (Note 2) | 97,500,000        | 328,832       | -         | 1,918  | -         | -       | (77,499)                                                                | -                                                                  | -                                                                  | -                                                                                  | -                                                                                                         | 97,500,000     | 50.00                   | 253,251                          | 2.26       | 220,509    | None         |
|                                    | National Management Co., Ltd. (Note 1)                    | 1,000,000         | 15,769        | -         | -      | -         | 975     | 2,025                                                                   | -                                                                  | -                                                                  | -                                                                                  | -                                                                                                         | 1,000,000      | 100.00                  | 16,819                           | 16.82      | 16,820     | "            |
|                                    | Shangrila Tourism Co., Ltd.                               | 18,131,840        | 202,670       | -         | -      | -         | -       | (8,111)                                                                 | -                                                                  | -                                                                  | (160)                                                                              | -                                                                                                         | 18,131,840     | 80.00                   | 194,399                          | 0.85       | 15,492     | "            |
|                                    | CMAAN Health Co., Ltd. (Note 2)                           | 5,000,000         | 46,851        | -         | -      | -         | -       | (9,258)                                                                 | -                                                                  | -                                                                  | -                                                                                  | -                                                                                                         | 5,000,000      | 50.00                   | 37,593                           | 7.52       | 37,593     | "            |
|                                    | Inter Continental Taichung Co., Ltd. (Note 5)             | -                 | -             | 30,000    | 300    | -         | -       | (52)                                                                    | -                                                                  | -                                                                  | -                                                                                  | -                                                                                                         | 30,000         | 100.00                  | 248                              | 8.25       | 248        | "            |
|                                    | Calligraphy Greenway Plaza (Note 6)                       | -                 | -             | 3,000,000 | 30,000 | -         | -       | (60)                                                                    | -                                                                  | -                                                                  | -                                                                                  | -                                                                                                         | 3,000,000      | 100.00                  | 29,940                           | 9.98       | 29,940     | "            |
| Total                              |                                                           |                   | \$ 13,590,186 | 43,340    |        | 363,683   | 669,202 | 175,947                                                                 | (1,136)                                                            | 719                                                                | 6,193                                                                              |                                                                                                           |                |                         | 141,120,768                      |            |            |              |

Note 1: The decreasing amounts of this period are the cash dividend amounted to \$307,505 thousand.

Note 2: The increasing amounts of this period are the additional guarantee provision amounted to \$1,918 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.

Note 5: Set up in the 1<sup>st</sup> quarter of 2020.

Note 6: Set up in the 4<sup>th</sup> quarter of 2020.

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

**Statement of Property, Plant and Equipment**

**For the Year Ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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

**Statement of Short-term Borrowings**

**December 31, 2020**

| <u>Loan Type</u> | <u>Lender</u>                                   | <u>Amount</u>     | <u>Financing Period</u> | <u>Interest Rates</u> | <u>Credit Line</u> | <u>Mortgage Guarantee</u> | <u>Note</u> |
|------------------|-------------------------------------------------|-------------------|-------------------------|-----------------------|--------------------|---------------------------|-------------|
| Unsecured        | Chang Hwa Ta-An                                 | \$ 60,000         | 2020.11.10~2021.01.08   | 1.00%                 | -                  | -                         |             |
| Unsecured        | The Export-Import Bank of the Republic of China | 150,000           | 2020.02.05~2021.03.25   | 0.52%                 | -                  | -                         |             |
| Unsecured        | Taipei Fubon                                    | <u>300,000</u>    | 2020.12.16~2021.03.31   | 0.95%                 | -                  | -                         |             |
|                  |                                                 | <u>\$ 510,000</u> |                         |                       |                    |                           |             |

**Statement of Short-term Bills Payable**

| <u>Item</u>              | <u>Guarantee or Acceptance Institution</u> | <u>Financing Period</u> | <u>Interest Rates</u> | <u>Amount</u>       |                             |                        | <u>Note</u> |
|--------------------------|--------------------------------------------|-------------------------|-----------------------|---------------------|-----------------------------|------------------------|-------------|
|                          |                                            |                         |                       | <u>Total Amount</u> | <u>Unamortized Discount</u> | <u>Carrying Amount</u> |             |
| Short-term Bills Payable | Mega Bills                                 | 2021.01.26              | 0.988%                | \$ 100,000          | (68)                        | 99,932                 |             |
|                          | International Bills                        | 2021.03.23              | 0.998%                | 100,000             | (221)                       | 99,779                 |             |
|                          | China Bills                                | 2021.02.04              | 0.988%                | <u>100,000</u>      | <u>(92)</u>                 | <u>99,908</u>          |             |
|                          |                                            |                         |                       | <u>\$ 300,000</u>   | <u>(381)</u>                | <u>299,619</u>         |             |

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

**Statement of Long-term Borrowings**

**December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

| Creditor                   | Description          | Financing Period      | Interest Rates | Amount              |                   | Collateral    |
|----------------------------|----------------------|-----------------------|----------------|---------------------|-------------------|---------------|
|                            |                      |                       |                | Due within one year | Due over one year |               |
| Shin Kong Bank             | Secured Borrowings   | 2020.10.21~2023.10.21 | 1.04 %         | -                   | 280,000           | Note 1        |
| Bank SinoPac               | Secured Borrowings   | 2020.05.31~2023.05.31 | 0.90 %         | -                   | 1,300,000         | Notes 2 and 3 |
| CTBC Bank                  | Secured Borrowings   | 2020.10.31~2022.10.31 | 1.15 %         | -                   | 600,000           | Note 1        |
| Mega Bank                  | Secured Borrowings   | 2020.07.27~2022.07.26 | 1.15 %         | -                   | 210,000           | Note 2        |
| Mega Bank                  | Secured Borrowings   | 2020.07.27~2022.07.26 | 1.47 %         | -                   | 90,000            | Note 2        |
| O-Bank Co., Ltd.           | Unsecured Borrowings | 2020.08.17~2022.08.16 | 1.06 %         | -                   | 200,000           | -             |
| En Tie Commercial Bank     | Unsecured Borrowings | 2020.11.19~2022.11.19 | 1.15 %         | -                   | 300,000           | -             |
| Jih Sun Bank               | Unsecured Borrowings | 2020.12.26~2022.10.24 | 1.15 %         | -                   | 200,000           | -             |
| Cathay United Bank         | Unsecured Borrowings | 2020.01.21~2022.01.21 | 1.05 %         | -                   | 100,000           | -             |
| Bank of Taiwan             | Unsecured Borrowings | 2020.12.31~2022.12.31 | 1.00 %         | -                   | 100,000           | -             |
| KGI Bank                   | Unsecured Borrowings | 2020.12.21~2022.12.21 | 1.14 %         | -                   | 300,000           | -             |
| Land Bank of Taiwan        | Unsecured Borrowings | 2020.05.29~2022.05.29 | 1.00 %         | -                   | 150,000           | -             |
| Yuanta Bank                | Unsecured Borrowings | 2020.12.25~2022.12.25 | 1.15 %         | -                   | 150,000           | -             |
| Taishin International Bank | Unsecured Borrowings | 2020.12.23~2022.12.31 | 1.05 %         | -                   | 300,000           | -             |
| Bank of Panhsin            | Unsecured Borrowings | 2020.06.13~2022.06.13 | 1.52 %         | -                   | 100,000           | -             |
| CTBC Bank                  | Unsecured Borrowings | 2020.10.31~2022.10.31 | 1.15 %         | -                   | 100,000           | Note 1        |
| Bank SinoPac               | Land Loan            | 2019.12.04~2022.12.04 | 1.45 %         | -                   | 1,835,696         | Note 4        |
| Bank SinoPac               | Syndicated Loan      | 2019.10.15~2024.10.14 | 1.90 %         | -                   | 52,000            | Note 1        |
| Less: Issuance Cost        |                      |                       |                | -                   | (824)             |               |
|                            |                      |                       |                | <u>\$ -</u>         | <u>6,366,872</u>  |               |

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

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

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

Note 4: The collateral is the land in Taichung.

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

**Statement of Operating Revenue**

**For the Year Ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

| <u>Item</u>             | <u>Amount</u>              |
|-------------------------|----------------------------|
| Manufacturing:          |                            |
| Cast iron products      | \$ <u>866,313</u>          |
| Department Store:       |                            |
| Rental revenue          | 41,090                     |
| Counter commissions     | <u>273,584</u>             |
| Subtotal                | <u>314,674</u>             |
| Other operating revenue | <u>33,065</u>              |
| Net operating revenue   | \$ <u><u>1,214,052</u></u> |

Note: The above amount had been deducted the allowance of sales return and discount amounted to \$31,754 thousand.

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

**Statement of Operating Costs**

**For the Year Ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

| Item                                                     | Amount                   |
|----------------------------------------------------------|--------------------------|
| Raw Material                                             |                          |
| Balance on January 1                                     | \$ 4,522                 |
| Add: Purchases                                           | 144,185                  |
| Gain on physical inventory count of raw material         | 3,125                    |
| Less: Balance on December 31                             | (7,211)                  |
| Transfer to expenses                                     | (338)                    |
| Raw material used in this period                         | 144,283                  |
| Material                                                 |                          |
| Balance on January 1                                     | 5,399                    |
| Add: Purchases                                           | 109,744                  |
| Less: Balance on December 31                             | (6,267)                  |
| Transfer to expenses                                     | (49,470)                 |
| Loss on physical inventory count of material             | (18)                     |
| Material used in this period                             | 59,388                   |
| Direct labor                                             | 63,268                   |
| Manufacturing overhead                                   | 343,393                  |
| Manufacturing costs                                      | 610,332                  |
| Add: Balance of work in process on January 1             | 68,557                   |
| Less: Balance of work in process on December 31          | (22,710)                 |
| Add: Balance of semi-finished goods on January 1         | 55,016                   |
| Purchases                                                | 9,352                    |
| Less: Loss on physical inventory count                   | (790)                    |
| Balance of semi-finished goods on December 31            | (28,631)                 |
| Transfer to expenses                                     | (16,936)                 |
| Cost of finished goods                                   | 674,190                  |
| Add: Balance of finished goods on January 1              | 50,910                   |
| Purchases                                                | (10)                     |
| Less: Loss on physical inventory count of finished goods | (85)                     |
| Balance of finished goods on December 31                 | (36,595)                 |
| Transfer to expenses                                     | (3,931)                  |
| Cost of goods sold – Finished goods                      | 684,479                  |
| Balance of merchandise on January 1                      | 4,237                    |
| Add: Purchases                                           | 7,417                    |
| Less: Balance of merchandise on December 31              | (5,644)                  |
| Transfer to expenses                                     | (621)                    |
| Transfer to other prepayments                            | (159)                    |
| Cost of goods sold – Merchandise                         | 5,230                    |
| Add: Raw material and mold cost                          | 13,054                   |
| Allowance for inventory obsolescence                     | 7,691                    |
| Others                                                   | 7,841                    |
| Less: Gain on physical inventory count                   | (2,231)                  |
| Income from sale of scraps and others                    | (1,387)                  |
| Operating costs                                          | <u><u>\$ 714,677</u></u> |

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

**Statement of Operating Expenses**

**For the Year Ended December 31, 2020**

**(In Thousands of New Taiwan Dollars)**

| <b>Item</b>                                                             | <b>Selling Expenses</b> | <b>Administrative Expenses</b> | <b>Research and Development Expenses</b> |
|-------------------------------------------------------------------------|-------------------------|--------------------------------|------------------------------------------|
| Salary expense                                                          | \$ 7,759                | 138,562                        | 1,692                                    |
| Freight charges                                                         | 8,591                   | 62                             | -                                        |
| Export expense                                                          | 7,320                   | -                              | -                                        |
| Administrating expense                                                  | -                       | 104,845                        | -                                        |
| Depreciation                                                            | 222                     | 200,007                        | -                                        |
| Other (Each of the items was less than 5% of the total account balance) | 5,525                   | 93,993                         | 453                                      |
|                                                                         | <u>\$ 29,417</u>        | <u>537,469</u>                 | <u>2,145</u>                             |

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

**Chairman LIN, Ting Fung**





CHINA METAL  
PRODUCTS CO., LTD.

