

FIRST COPPER TECHNOLOGY CO., LTD.**Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

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

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Independent Auditors' Report

To the Board of Directors FIRST COPPER TECHNOLOGY CO., LTD.

Opinion

We have audited the financial statements of FIRST COPPER TECHNOLOGY CO., LTD. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statements 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 financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended 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"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

Valuation of inventory

Please refer to Note 4(g) for significant accounting policies on inventories and Note 5 for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the inventory is shown in Note 6(g) of the financial statements.

Description of key audit matter:

The Company's inventories are copper products which are measured at the lower of cost and net realizable value. Since the selling price is affected by copper price which fluctuates wildly in recent years, the valuation of inventory is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include assessing the reasonableness of inventory valuation and obsolescence, and evaluating the assumptions made by the management; corroborating, on a sample basis, by testing the accuracy of inventory aging, examining their net realizable value to the recent sales records and making an analysis on the trend of international copper price fluctuations.

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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 the Company's financial reporting process.

Auditors' 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 auditors' 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 the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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 investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 Po Jen, Yang and Zhen Lung, Hsu.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2019

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)
FIRST COPPER TECHNOLOGY CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2018		December 31, 2017		Liabilities and Equity		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 293,458	6	194,629	3	2100	Short-term borrowings (note 6(m))	\$ 336,894	7	256,000	4
1110	Current financial assets at fair value through profit or loss (note 6(b))	168,946	3	153,872	3	2110	Short-term notes and bills payable (notes 6(m) and (n))	699,829	14	1,199,860	20
1125	Current available-for-sale financial assets (note 6(d))	-	-	90,888	2	2150	Notes payable (notes 6(q))	3,672	-	8,321	-
1150	Notes receivable (note 6(e))	6,039	-	6,618	-	2170	Accounts payable	128,386	2	111,786	2
1172	Accounts receivable (note 6(e))	219,625	4	253,029	4	2180	Accounts payable to related parties (note 7)	4,667	-	8,411	-
1180	Accounts receivable from related parties (notes 6(e) and 7)	-	-	986	-	2200	Other payables (note 6(q))	48,716	1	62,112	1
1200	Other receivables (notes 6(e) and (f))	9,414	-	14,863	-	2230	Current tax liabilities	-	-	7,148	-
130X	Inventories (note 6(g))	1,357,672	27	1,641,157	27	2300	Other current liabilities (notes 6(o) and (u))	20,197	-	17,402	-
1470	Other current assets (note 6(l))	16,486	-	31,548	-		Total current liabilities	1,242,361	24	1,671,040	27
	Total current assets	2,071,640	40	2,387,590	39		Non-Current liabilities:				
	Non-current assets:					2570	Deferred tax liabilities (note 6(r))	265,836	5	265,380	5
1517	Non-current financial assets at fair value through other comprehensive income(note 6(c))	1,922,712	37	-	-	2640	Non-current net defined benefit liabilities (note 6(q))	17,503	-	17,628	-
1523	Non-current available-for-sale financial assets (note 6(d))	-	-	2,454,879	41		Total non-current liabilities	283,339	5	283,008	5
1550	Investments accounted for using equity method (note 6(h))	93	-	84	-		Total liabilities	1,525,700	29	1,954,048	32
1600	Property, plant and equipment (note 6(i))	863,399	17	905,285	15	3110	Equity (note 6(s)):				
1760	Investment property, net (notes 6(j) and (p))	235,470	5	237,797	4	3300	Capital stock	3,596,222	70	3,596,222	60
1780	Intangible assets (note 6(k))	-	-	9	-	3320	Retained earnings:				
1840	Deferred tax assets (note 6(r))	55,057	1	44,622	1	3350	Special reserve	652,495	13	652,495	11
1915	Prepayments for equipment	3,380	-	-	-		Deficit yet to be compensated	(83,875)	(2)	(181,828)	(3)
1920	Guarantee deposits paid (note 6(f))	6	-	6	-	3400	Other equity interest	568,620	11	470,667	8
	Total non-current assets	3,080,117	60	3,642,682	61		Total equity	(538,785)	(10)	9,335	-
	Total assets	\$ 5,151,757	100	6,030,272	100		Total liabilities and equity	3,626,057	71	4,076,224	68
								\$ 5,151,757	100	6,030,272	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
FIRST COPPER TECHNOLOGY CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings			Total other equity interest			Total equity
	Ordinary shares	Special reserve	Unappropriated retained earnings(Deficit yet to be compensated)	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	
Balance at January 1, 2017	<u>\$ 3,596,222</u>	<u>652,495</u>	<u>(451,112)</u>	<u>-</u>	<u>(632,359)</u>	<u>(632,359)</u>	<u>3,165,246</u>
Profit for the year ended December 31,2017	-	-	269,876	-	-	-	269,876
Other comprehensive income for the year ended December 31,2017	-	-	(592)	-	641,694	641,694	641,102
Total comprehensive income for the year ended December 31,2017	-	-	269,284	-	641,694	641,694	910,978
Balance at December 31, 2017	<u>3,596,222</u>	<u>652,495</u>	<u>(181,828)</u>	<u>-</u>	<u>9,335</u>	<u>9,335</u>	<u>4,076,224</u>
Effects of retrospective application	-	-	15,953	(6,618)	(9,335)	(15,953)	-
Balance on January 1, 2018 after adjustments	<u>3,596,222</u>	<u>652,495</u>	<u>(165,875)</u>	<u>(6,618)</u>	<u>-</u>	<u>(6,618)</u>	<u>4,076,224</u>
Profit for the year ended December 31,2018	-	-	85,258	-	-	-	85,258
Other comprehensive income for the year ended December 31,2018	-	-	(3,258)	(532,167)	-	(532,167)	(535,425)
Total comprehensive income for the year ended December 31,2018	-	-	82,000	(532,167)	-	(532,167)	(450,167)
Balance at December 31, 2018	<u>\$ 3,596,222</u>	<u>652,495</u>	<u>(83,875)</u>	<u>(538,785)</u>	<u>-</u>	<u>(538,785)</u>	<u>3,626,057</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
FIRST COPPER TECHNOLOGY CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Profit before tax	\$ 75,279	303,894
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	73,086	88,390
Amortization expense	9	29
Net loss on financial assets at fair value through profit or loss	75,814	5,705
Interest expense	9,059	11,358
Interest income	(56)	(42)
Dividend income	(158,957)	(73)
Share of profit of associates and joint ventures accounted for using equity method	(10)	(1)
Gain on disposal of property, plant and equipment	(642)	(91)
Gain on disposal of available-for-sale financial assets	-	(141,149)
Reversal of refund liabilities	(2,043)	(1,072)
Total adjustments to reconcile profit (loss)	<u>(3,740)</u>	<u>(36,946)</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Decrease (increase) in notes receivable	579	(756)
Decrease (increase) in accounts receivable	33,404	(38,523)
Decrease in accounts receivable due from related parties	986	6,623
Decrease (increase) in other receivable	5,449	(2,267)
Decrease (increase) in inventories	283,485	(351,010)
Decrease (increase) in other current assets	15,062	(15,384)
Net changes in operating assets	<u>338,965</u>	<u>(401,317)</u>
Net changes in operating liabilities:		
Increase (decrease) in notes payable	(4,649)	6,660
Increase in accounts payable	16,600	6,824
Increase (decrease) in accounts payable to related parties	(3,744)	1,588
Increase (decrease) in other payable	(13,552)	12,643
Increase in other current liabilities	4,838	3,258
Decrease in net defined benefit liability	(3,382)	(7,311)
Net changes in operating liabilities	<u>(3,889)</u>	<u>23,662</u>
Net changes in operating assets and liabilities	<u>335,076</u>	<u>(377,655)</u>
Total adjustments	<u>331,336</u>	<u>(414,601)</u>
Cash inflow (outflow) generated from operations	406,615	(110,707)
Interest received	56	42
Dividends received	158,957	73
Interest paid	(3,130)	(5,570)
Income taxes (paid) refund	(7,148)	6
Net cash flows from (used in) operating activities	<u>555,350</u>	<u>(116,156)</u>
Cash flows used in investing activities:		
Acquisition of available-for-sale financial assets	-	(44,807)
Proceeds from disposal of available-for-sale financial assets	-	243,946
Acquisition of property, plant and equipment	(27,894)	(55,930)
Proceeds from disposal of property, plant and equipment	642	135
Decrease in refundable deposits	-	6
Increase in investment properties	(979)	(1,130)
Increase in prepayments for equipment	(3,380)	-
Proceeds from liquidation of other non-current financial assets	-	6,087
Net cash flows (used in) investing activities	<u>(31,611)</u>	<u>148,307</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	80,894	(240,765)
Increase (decrease) in short-term notes and bills payable	(505,980)	194,413
Increase (decrease) in guarantee deposits received	176	(24)
Net cash flows used in financing activities	<u>(424,910)</u>	<u>(46,376)</u>
Net increase (decrease) in cash and cash equivalents	98,829	(14,225)
Cash and cash equivalents at beginning of period	194,629	208,854
Cash and cash equivalents at end of period	<u>\$ 293,458</u>	<u>194,629</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
FIRST COPPER TECHNOLOGY CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history:

First Copper Technology Co., Ltd. (the Company) was incorporated on July 8, 1969. The Company's registered address is 4F, No. 170, Chung Cheng 4th Road, Kaohsiung, Taiwan. The Company is engaged in the manufacture and sale of copper wire and copper plate, and the processing of scrap iron and copper. The Company's common shares were listed on the Taiwan Stock Exchange (TWSE).

The Company's parent company is Hua Eng Wire & Cable Co., Ltd.

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

The financial statements were authorized for issuance by the Board of Directors on March 18, 2019.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Company can, and therefore, elected to early adopt the amendments to IFRS 9 “Prepayment features with negative compensation”:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Continued)

FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

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

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively using the cumulative effect. It need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018. The explanation of accounting policy under IFRS 15, please see note 4(o).

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

For the sale of products, revenue was currently recognized when the goods were delivered to the customers’ premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transfer in the past. Revenue was recognized at this point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing management involvement with the goods. Under IFRS 15, revenue is recognized when a customer obtains control of the goods. The Company assesses there would be no material impact because the point at which the related risks and rewards of ownership transfer is close to the point at which control transfer.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

As a consequence, for those contracts for which the Company is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. The Company assesses the application would be no material impact on its financial statements.

According to the agreement, the Company offers manufacturing and processing services to its customers, with raw materials of copper which are being provided by the customers, wherein an input of high proportion of additional raw materials in manufacturing is still required. Before adopting IFRS 15, the Company recognized revenue when the related risks and rewards of inventory were transferred to customer. After adopting IFRS 15, the Company assesses there would be no material impact because the point at which the related risk and rewards of ownership transfer is similar to the point at which control transfer.

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

Above all, the Company adopts IFRS 15 would be no material impact on its financial statements.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation on of how the Company classifies and measures its financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f). The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, the explanations of impairment of financial assets, please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore is not comparable to the information presented for 2018 under IFRS 9.

(Continued)

FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables	\$ 194,629	Amortized cost	\$ 194,629
Equity instruments	Designated as at FVTPL	153,872	Mandatorily at FVTPL	153,872
	Available-for-sale (note 1)	90,888	Mandatorily at FVTPL	90,888
	Available-for-sale (note 2)	2,454,879	FVOCI	2,454,879
Accounts and other receivable	Loans and receivables (note3)	275,496	Amortized cost	269,425
			FVOCI	6,071
Other financial assets(Guarantee deposits paid)	Loans and receivables (note3)	6	Amortized cost	6

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	\$ 153,872	-	-	-	-	-
Additions – equity instruments:						
From available-for-sale (note 1)	-	90,888	-	-	15,953	(15,953)
Total	\$ 153,872	90,888	-	244,760	15,953	(15,953)
Fair value through other comprehensive income						
Beginning balance of available-for-sale (including measured at cost) (IAS 39)	\$ 2,545,767	-	-	-	-	-
Additions – debt instruments:						
From loans and receivables	-	6,071	-	-	-	-
Subtraction – equity instruments:						
To FVTPL – required reclassification based on classification criteria	-	(90,888)	-	-	-	-
Total	\$ 2,545,767	(84,817)	-	2,460,950	-	-

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

Note1: The corporate equity securities are categorized as available-for-sale under IAS 39. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVTPL, resulting in a decrease of \$15,953 thousand in other equity and an increase of \$15,953 thousand in retained earnings.

Note2: These equity securities represent investments that the Company intends to hold for long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

Note3: Notes receivable, accounts receivable, other receivables and other financial assets (including guarantee deposits paid) that were classified as loans and receivables under IAS 39 are now classified at amortized cost or FVOCI.

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ac).

(iv) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the recognition for deferred tax assets for unrealized losses, and the computation of future taxable profit under specific extent.

The company assessed the application of the amendments would change the estimate of its deferred tax asset. However, there would be no material impact on its financial statements.

(v) Amendments to IAS 40 "Transfers of Investment Property”

The amendments specify that a transfer into, or out of, investment property would be made only when there has been a change in use of a property, supported by evidence that a change in use has occurred. In isolation, a change in management's intentions for the use of a property does not provide evidence of change in use. The amendments also clarify that the list of circumstances that provide evidence of a change in use includes the commencement of development with a view to owner-occupation.

The Company assessed that the amendments to IAS 40 "Transfers of Investment Property" would affect the judgment of a transfer into, or out of, investment property. However, there would be no material impact on its financial statements currently.

(vi) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration.

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The Company applies the interpretation to all foreign currency assets, expenses and income in the scope of the interpretation initially recognized on, or after, the beginning of the reporting period the Company first applies the interpretation in.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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

(i) IFRS 16 "Leases"

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

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses relating to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether an existing contract is, or contains, a lease.

The Company plans to reassess the definition of a lease to all its contracts upon transition.

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2) Transition

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

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

The lessee applies the election consistently to all of its leases.

The Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the Company will measure the right-of-use asset as an amount equal to the lease liability, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company choose to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the Company assesses adopting IFRS 16 would not have significant impact on operating leases.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

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If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application would be no material impact on its financial statements.

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assessed that the above IFRSs will not be relevant to the Company.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

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(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on the historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss;
- 2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;
- 3) The defined benefit liability is recognized as the present value of the defined benefit obligation, less the fair value of pension fund assets and the re-measurement of the effect of the asset ceiling as stated in note 4(p).

(ii) Functional and presentation currency

The financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

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 translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of fair value through other comprehensive income (available-for-sale) equity instrument, which are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the 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) It does not have an unconditional right to defer settlement of the liability 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 of 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 which are subject to an insignificant risk of changes in value. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by

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impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company, therefore, those receivables are measured at FVOCI and presented as accounts receivable.

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.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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.

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

4) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank deposit 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 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 Company considers its financial instrument to have low credit risk when it is in low default risk, or the debtor has strong ability to perform contractual obligations to the current cash flow if adverse change in economic and business conditions may (not necessarily) reduce the debtor's ability to perform its obligations to the cash flow over a longer period of time.

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The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

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

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instrument at FVOCI 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the 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 of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses under the other gains and losses.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the

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carrying amount allocated to the part that is no longer recognized, and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss, and presented in the line item of non-operating income and expenses under other gains and losses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchase in the short term. The Company designates financial assets, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

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

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

Financial assets in this category that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any impairment losses, and are classified as financial assets carried at cost.

2) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary assets, are recognized in other comprehensive income and presented under fair

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value reserve in equity. The corresponding accumulated gains or losses are recognized in earnings when the financial assets is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

Financial assets in this category that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any impairment losses, and included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date when the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is recognized in non-operating income and expenses, under other income.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.

Interest income is recognized in non-operating income and expense under other income.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written-off from the allowance account. Any subsequent recovery of a receivable written-off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

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

Impairment losses and recoveries of accounts receivable are recognized in operating expenses; impairment losses and recoveries of other financial assets are included in non-operating income and expense.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity—unrealized gains or losses on available-for-sale financial assets" is recognized in profit or loss, and is included in non-operating income and expense.

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The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing. Interest related to the financial liability is recognized in profit or loss, and it is included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise short-term borrowings, short-term notes and bills payable, accounts payable, and other payables, are measured at fair value, plus, any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capitalized cost is recognized in profit or loss, and is included in non-operating income and expenses.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and included in non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right 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.

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(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average costing principle 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the 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 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 that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under additional paid-in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the associate.

(i) 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, for 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. The depreciable amount of an asset is determined after initial measurement. Depreciation methods, useful lives, and residual values are measured in conformity with the regulation on property, plant and equipment.

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Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciate separately unless the useful life and depreciation method of that significant part of an item of property, plant and equipment are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be group in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognize in profit or loss.

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Land has an unlimited useful life and therefore is not depreciated.

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

1)	Buildings	5 to 50 years
2)	Machinery and equipment	2 to 25 years
3)	Other equipment	2 to 10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Lease

(i) Lessor

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

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

(ii) Lessee

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

Other leases are operating leases and are not recognized in the Company's balance sheets.

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

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

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(l) Intangible assets

Intangible assets acquired, other than goodwill, are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred. The amortizable amount is the cost of an asset less its residual value.

Amortization for software is recognized in profit or loss on a straight-line basis over the estimated useful lives of 2 years of intangible assets from the date that they are available for use.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(m) Impairment of non-financial assets

The Company assesses non-financial assets, except inventories, and deferred tax assets, at each reporting date to see if there is any indication of impairment. If it is not possible to determine the recoverable amount (fair value less costs to sell and value in use) for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

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

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's CGU, or groups of CGU, that is expected to benefit from the synergies of the combination. If the carrying amount of each of the CGU exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be 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

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value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The provision for sales returns is recognized when goods are sold or service has been provided. The provision is based on historical sales return data and a weighting of all possible outcomes against their associated probabilities.

(o) Revenue

(i) Revenue from contracts with customers (policy commencing from January 1, 2018)

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 been 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 provision have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company grants its customers the right to return the product within a period. Therefore, the Company reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale in past. Because the number of products returned has been steady for years, 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.

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.

2) 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 the payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed

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sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company 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.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

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 Company 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 Company can specifically identify;
- 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
- the costs are expected to be recovered.

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

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(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Remeasurements of the net defined benefit liability (asset) including (1) actuarial gains and losses; (2) return on plan assets excluding net interest on the net defined benefit liability (asset); and (3) changes in the effect of the asset ceiling excluding net interest on the net defined benefit liability (asset). The effect of remeasurements of the net defined benefit liability (asset) is recognized in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period. The Company recognizes remeasurements of defined benefit plans in retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

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(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to common shares holders of the Company. The basic earnings per share are calculated as the profit attributable to the common shareholders of the Company divided by the weighted-average number of common shares outstanding. The diluted earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted-average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares, such as employee bonus not yet resolved by the shareholders.

(s) Operating segments

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

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

The preparation of the financial statements in conformity with the Regulations and 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. It 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 within the next financial year is valuation of inventories:

Because the Company's selling price is affected by international copper price, there is an uncertainty risk on the estimation of inventories' net realizable value resulting from the copper price fluctuations. Please refer to note 6(g) for further description of the valuation of inventories.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash and cash on hand	\$ 162	228
Checking deposits and demand deposits	<u>293,296</u>	<u>194,401</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 293,458</u>	<u>194,629</u>

Please refer to note 6(z) for the exchange rate risk, sensitivity analysis and credit risk of the financial assets of the Company.

(b) Financial assets at fair value through profit or loss

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial assets designated as at fair value through profit or loss:		
Non-derivative financial assets		
Publicly traded stocks	<u>\$ -</u>	<u>153,872</u>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Publicly traded stocks	<u>\$ 168,946</u>	

For the net gain or loss on financial instruments at FVTPL, please refer to note 6(x).

As of December 31, 2018 and 2017, the Company did not provide above financial assets at fair value through profit or loss as collateral or restricted.

(c) Financial assets at fair value through other comprehensive income

	<u>December 31, 2018</u>
Equity investments at fair value through other comprehensive income:	
Publicly traded stocks	\$ 1,918,787
Non-publicly traded stocks	<u>3,925</u>
Total	<u>\$ 1,922,712</u>

Please refer to note 13 for the details of financial assets.

The Company designated its investment shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investment that the

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Company intend to hold for long-term strategic purposes.

These investment were classified as available-for-sale financial assets on December 31, 2017. Please refer to note 6(d).

During the years ended December 31, 2018, the dividends of \$152,266 thousand, related to equity investments at fair value through other comprehensive income held on December 31, 2018, were recognized.

The Company owns 32.96% common shares outstanding of its parent company, Hua Eng Wire & Cable Co., Ltd. (Hua Eng), for finance management, wherein Hua Eng deemed such shares as treasury stock.

No strategic investments were disposed as of December 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments. Please refer to notes 6(z) for market risk.

As of December 31, 2018, the Company did not provide above financial assets at fair value through other comprehensive income as collateral or restricted.

(d) Available-for-sale financial assets

	December 31, 2017
Current:	
Publicly traded stocks	\$ 90,888
Non-Current:	
Publicly traded stocks	\$ 2,450,625
Non-Publicly traded stocks	4,254
Total	\$ 2,454,879

The above-mentioned investments were classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on December 31, 2018. Please refer to notes 6(b) and (c).

Please refer to notes 6(z) for market risk.

As of December 31, 2017, the Company did not provide above available-for-sale financial assets as collateral or restricted.

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(e) Notes and accounts receivable (Including related parties and non-related)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable from operating activities	\$ 6,039	6,618
Accounts receivable (including related parties) — measured at amortized cost	209,892	254,015
Accounts receivable — measured at fair value through other comprehensive income	<u>9,733</u>	<u>-</u>
	<u><u>\$ 225,664</u></u>	<u><u>260,633</u></u>

The Company has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable were measured at fair value through other comprehensive income on January 1, 2018.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	<u>Gross carrying amount of notes and accounts receivable</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Non-overdue	\$ 225,664	-	-
Overdue	<u>-</u>	-	<u>-</u>
	<u><u>\$ 225,664</u></u>		<u><u>-</u></u>

The Company applies the incurred impair loss model to consider the loss allowance provision of its notes and accounts receivable on December 31, 2017. In assessing the impairment losses of its note and accounts receivable, the Company believes that no indication and evidence of notes and accounts receivable were impaired as of December 31, 2017.

The movement in the allowance for notes and accounts receivable was as follow:

	<u>2018</u>	<u>2017</u>	
	<u>2018</u>	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>
Balance on January 1, 2018 and 2017 per IAS39	\$ -	-	-
Adjustment on initial application of IFRS 9	<u>-</u>		
Balance on January 1, 2018 per IFRS 9	-		
Effects of changes in foreign exchange rates	<u>-</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2018 and 2017	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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As of December 31, 2018 and 2017, the Company did not provide notes and accounts receivable as collateral or restricted.

Please refer to note 6(z) for credit risk.

The Company entered into accounts receivable factoring contracts with a financial institution. According to these contracts, the financial institution is required to bear the credit risk of un-collection of accounts receivable due to any non-business dispute or financial difficulty. Therefore, it qualifies for derecognition on financial assets. At each reporting date, the outstanding accounts receivable that have matured were as follows:

(Unit: Foreign currency/TWD in Thousands)

December 31, 2018					
Institution	Amount derecognized	Limit	Amount advanced	Interest rate	Collateral
Taishin Bank	\$ 11,809	USD3,850	9,904	3.13%~3.80%	None
CTBC Bank	42,030	USD2,300	37,827	3.01%~3.96%	None
CTBC Bank	<u>2,031</u>	9,000	<u>-</u>	-	None
	<u><u>\$ 55,870</u></u>		<u><u>47,731</u></u>		

December 31, 2017					
Institution	Amount derecognized	Limit	Amount advanced	Interest rate	Collateral
Taishin Bank	\$ 25,931	USD4,400	23,338	2.05%~2.6%	None
CTBC Bank	24,705	USD2,725	22,080	2.45%~2.91%	None
CTBC Bank	<u>5,875</u>	12,000	<u>-</u>	-	None
	<u><u>\$ 56,511</u></u>		<u><u>45,418</u></u>		

As of December 31, 2018 and 2017, the amount of factoring accounts receivable without resource were \$8,139 and \$11,093, respectively, and were classified in other receivables in the balance sheets.

(f) Other receivables and guarantee deposits paid

	December 31, 2018	December 31, 2017
Factoring accounts receivable	\$ 8,139	11,093
Guarantee deposits paid	6	6
Others	1,275	3,770
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u><u>\$ 9,420</u></u>	<u><u>14,869</u></u>
Classified as:		
Other receivables	\$ 9,414	14,863
Guarantee deposits paid	<u>6</u>	<u>6</u>
	<u><u>\$ 9,420</u></u>	<u><u>14,869</u></u>

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In assessing the impairment losses of other receivables, the Company believe that no indication and evidence that other receivables was impaired as of December 31, 2017.

Please refer to note 6(z) for credit risk.

(g) Inventories

	December 31, 2018	December 31, 2017
Finished goods	\$ 166,571	143,860
Work in progress	582,910	969,226
Raw materials and supplies	577,658	468,433
Inventories in transit	<u>30,533</u>	<u>59,638</u>
	<u><u>\$ 1,357,672</u></u>	<u><u>1,641,157</u></u>

In 2018 and 2017, the inventories recognized as operating costs and expenses amounted to \$3,038,197 and \$2,830,720, respectively, which contains unallocated manufacturing overhead of idle capacity amounting to \$40,697 and \$47,368, respectively. In 2018, the write-down of inventories amounting to \$31,177 was recognized in operating costs in the statements of comprehensive income. In 2017, the reversal of write-down amounting to \$1,200 was due to an upward trend in copper price, which was recognized in the reduction of operating costs in the statements of comprehensive income.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral or restricted.

(h) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Associate	<u>\$ 93</u>	<u>84</u>

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

	December 31, 2018	December 31, 2017
Carrying amount of individually insignificant associates' equity	<u>\$ 93</u>	<u>84</u>

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	2018	2017
Attributable to the Company:		
Net profit from continuing	\$ 10	1
Other comprehensive (loss) income	(1)	(1)
Total comprehensive income	\$ 9	-

The Company did not provide any investments accounted for using the equity method as collateral for its loans.

(i) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and testing equipment	Total
Cost or deemed cost:						
Balance at January 1, 2018	\$ 515,430	348,071	3,462,781	28,908	6,036	4,361,226
Additions	-	2,598	24,661	635	-	27,894
Reclassifications	-	-	4,821	1,215	(6,036)	-
Disposals	-	-	(115,928)	(593)	-	(116,521)
Balance at December 31, 2018	\$ 515,430	350,669	3,376,335	30,165	-	4,272,599
Balance at January 1, 2017	\$ 515,430	338,232	3,446,786	28,340	1	4,328,789
Additions	-	11,601	19,917	1,029	23,383	55,930
Reclassifications	-	-	17,348	-	(17,348)	-
Disposal	-	(1,762)	(21,270)	(461)	-	(23,493)
Balance at December 31, 2017	\$ 515,430	348,071	3,462,781	28,908	6,036	4,361,226
Depreciation:						
Balance at January 1, 2018	\$ -	255,533	3,174,318	26,090	-	3,455,941
Depreciation	-	8,372	60,302	1,106	-	69,780
Disposals	-	-	(115,928)	(593)	-	(116,521)
Balance at December 31, 2018	\$ -	263,905	3,118,692	26,603	-	3,409,200
Balance at January 1, 2017	\$ -	248,878	3,119,631	25,645	-	3,394,154
Depreciation	-	8,373	75,957	906	-	85,236
Disposals	-	(1,718)	(21,270)	(461)	-	(23,449)
Balance at December 31, 2017	\$ -	255,533	3,174,318	26,090	-	3,455,941
Carrying amounts:						
Balance at December 31, 2018	\$ 515,430	86,764	257,643	3,562	-	863,399
Balance at December 31, 2017	\$ 515,430	92,538	288,463	2,818	6,036	905,285

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

Collateral:

The property, plant and equipment of the Company has not been pledged as collateral or restricted.

For the gains or losses on disposal of the property, plant and equipment, please refer to note 6(x).

(j) Investment property

The details of investment property were as follows:

	<u>Land and improvements</u>	<u>Building and other</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2018	\$ 174,801	91,066	265,867
Additions	-	979	979
Balance at December 31, 2018	<u>\$ 174,801</u>	<u>92,045</u>	<u>266,846</u>
Balance at January 1, 2017	\$ 174,801	89,936	264,737
Additions	-	1,130	1,130
Balance at December 31, 2017	<u>\$ 174,801</u>	<u>91,066</u>	<u>265,867</u>
Depreciation:			
Balance at January 1, 2018	\$ -	28,070	28,070
Depreciation for the year	-	3,306	3,306
Balance at December 31, 2018	<u>\$ -</u>	<u>31,376</u>	<u>31,376</u>
Balance at January 1, 2017	\$ -	24,916	24,916
Depreciation for the year	-	3,154	3,154
Balance at December 31, 2017	<u>\$ -</u>	<u>28,070</u>	<u>28,070</u>
Carrying amount:			
Balance at December 31, 2018	<u>\$ 174,801</u>	<u>60,669</u>	<u>235,470</u>
Balance at December 31, 2017	<u>\$ 174,801</u>	<u>62,996</u>	<u>237,797</u>
Fair value:			
Balance at December 31, 2018			<u>\$ 582,079</u>
Balance at December 31, 2017			<u>\$ 524,696</u>

The Company did not have any non-cancellable lease or contingent rental. For information about investment property leases, please refer to note 6(p).

As of December 31, 2018 and 2017, the fair value of the investment property was based on comparative method and cost method by the Company. The recurring fair value measurement for the investment properties based on the inputs of levels of fair value hierarchy in determining the fair

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

value is classified to Level 3.

Investment property of the Company has not been pledged as collateral or restricted.

(k) Intangible assets

Intangible assets of the Company are computer software. The costs and amortization of the intangible assets for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Cost:		
Balance at January 1	\$ 40	69
Disposals	<u>(40)</u>	<u>(29)</u>
Balance at December 31	<u>\$ -</u>	<u>40</u>
Amortization:		
Balance at January 1	\$ 31	31
Amortization	9	29
Disposals	<u>(40)</u>	<u>(29)</u>
Balance at December 31	<u>\$ -</u>	<u>31</u>
Carrying amounts:		
Balance at January 1	<u>\$ 9</u>	<u>38</u>
Balance at December 31	<u>\$ -</u>	<u>9</u>

(l) Other current assets

Details of other current assets of the Company were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Prepaid Expenses	\$ 560	554
Prepaid raw materials	151	9,896
Excess business tax paid	10,189	15,292
Right to the returned goods	4,337	-
Others	<u>1,249</u>	<u>5,806</u>
	<u>\$ 16,486</u>	<u>31,548</u>

(m) Short-term borrowings

Details of short-term borrowings of the Company were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Letters of credit	\$ 22,894	-
Unsecured loans	<u>314,000</u>	<u>256,000</u>
Total	<u>\$ 336,894</u>	<u>256,000</u>
Unused credit lines	<u>\$ 2,620,008</u>	<u>2,096,588</u>
Range of interest rates	<u>1.03%~3.91%</u>	<u>1.07%~1.32%</u>

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

The Company did not provide any assets as collateral for short-term borrowings.

Please refer to note 6(z) for exchange rate risk, interest rate risk, sensitive analysis and liquid risk of the financial liabilities of the Company.

(n) Short-term notes and bills payable

Details of short-term notes and bills payable of the Company were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Commercial paper payable	\$ <u>699,829</u>	<u>1,199,860</u>
Range of interest rates	<u>0.938%~0.998%</u>	<u>0.928%</u>

The Company did not provide any assets as collateral for short-term notes and bills payable.

Unused credit lines for short-term notes and bills payable are combined in short-term borrowings; please refer to note 6(m).

(o) Other current liabilities

Details of other current liabilities of the Company were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Advance receipts	\$ 13,809	9,387
Refund liabilities	5,942	-
Allowance for sales returns	-	7,985
Other payables	446	29
Receipts under custody	<u>-</u>	<u>1</u>
	<u>\$ 20,197</u>	<u>17,402</u>

The allowance for sales returns of the Company were as follows:

	<u>Allowance for sales returns</u>
Balance at January 1, 2017	\$ 9,057
Provisions used and reversed during the year	(9,057)
Provisions made during the year	<u>7,985</u>
Balance at December 31, 2017	<u>\$ 7,985</u>

The amount of refund liabilities (allowance for sales returns) was estimated based on the sales contracts, which entitle the customers to rights of return.

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

(p) Operating lease

(i) Leases as lessee

Please refer to note 7 for the disclosures of related leasing information; the Company rents offices from its parent company.

(ii) Leases as lessor

The Company leases out its investment property; please refer to note 6(j). The rental term is not non-cancellable.

Rental income from investment property amounted to \$12,128 and \$11,238 in 2018 and 2017, respectively, included in other income in the comprehensive income statements. Maintenance expense incurred for investment property amounted to \$2,548 and \$2,429 in 2018 and 2017, respectively.

(q) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	\$ 119,613	113,719
Fair value of plan assets	(102,110)	(96,091)
Net defined benefit liabilities	<u>\$ 17,503</u>	<u>17,628</u>

The Company makes defined benefit plan contributions to the labor pension fund account and manager pension fund account, respectively, with Bank of Taiwan. Such accounts provide pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle retired employees to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates its labor pension funds in accordance with the Labor Standards Law, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum earnings of the funds will be no less than the earnings attainable from two-year time deposits, with interest rates offered by local banks.

The balance of the Company's pension reserve accounts for labor and managers in Bank of Taiwan amounted to \$102,110 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor. The pension funds for managers deposited with time deposits and demand deposits.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	<u>2018</u>	<u>2017</u>
Defined benefit obligations at January 1	\$ 113,719	119,678
Current service costs and interest	1,805	1,845
Remeasurement of the net defined benefit liabilities :		
–Actuarial loss (gain) arising from change in financial assumptions	2,166	(2,297)
–Actuarial loss (gain) arising from experience adjustments	3,724	2,713
Benefits paid by the plan	<u>(1,801)</u>	<u>(8,220)</u>
Defined benefit obligations at December 31	<u>\$ 119,613</u>	<u>113,719</u>

3) Movements in the fair value of plan assets

The movements in the fair value of plan assets for the Company were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 96,091	95,331
Interest income	1,302	1,046
Remeasurements of the net defined benefit liabilities :		
–Return on plan assets (excluding interest income)	2,633	(175)
Contribution made	3,885	8,109
Benefits paid by the plan	<u>(1,801)</u>	<u>(8,220)</u>
Fair value of plan assets at December 31	<u>\$ 102,110</u>	<u>96,091</u>

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2018</u>	<u>2017</u>
Current service costs	\$ 272	535
Net interest of net defined benefit liabilities	<u>231</u>	<u>264</u>
	<u>\$ 503</u>	<u>799</u>
Operating costs	\$ 451	693
Operating expenses	<u>52</u>	<u>106</u>
	<u>\$ 503</u>	<u>799</u>

5) Re-measurements in net defined benefit liability recognized in other comprehensive income

The re-measurements in net defined benefit liability recognized in other comprehensive income for the Company were as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ (30,464)	(29,873)
Recognized during the period	<u>(3,257)</u>	<u>(591)</u>
Accumulated amount at December 31	<u>\$ (33,721)</u>	<u>(30,464)</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Discount rate	1.125 %	1.375 %
Future salary increase rate	1.000 %	1.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$2,797.

The weighted-average lifetime of the defined benefits plans is 10.28 years.

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

7) Sensitivity analysis

At December 31, 2018 and 2017, the impact of the changes in actuarial assumption of the defined benefit obligations were as follows:

	Influences of defined benefit obligations	
	Increased	Decreased
As of December 31, 2018		
Discount rate (Decreasing or Increasing in 0.25%)	\$ (2,166)	2,232
Future salary increasing rate (Decreasing or Increasing in 0.25%)	2,158	(2,106)
As of December 31, 2017		
Discount rate (Decreasing or Increasing in 0.25%)	\$ (2,285)	2,297
Future salary increasing rate (Decreasing or Increasing in 0.25%)	2,229	(2,231)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company pension costs under the defined contribution method were \$6,052 and \$6,003 for 2018 and 2017, respectively. As of December 31, 2018 and 2017, the payables which had not been contributed to the Bureau of Labor Insurance were \$1,153 and \$1,014 respectively, and were recognized as other payables and notes payable in the balance sheets.

(iii) Short-term benefit obligation

As of December 31, 2018 and 2017, the Company's short-term benefit liabilities for vacation were \$5,823 and \$5,451, respectively, and were recognized as other payables in the balance sheets.

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

(r) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing fiscal year 2018.

(i) The components of income tax expense (benefit) were as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Current period	\$ -	7,148
Deferred tax expense (benefit)		
Adjustment in tax rate	(7,783)	-
Origination and reversal of temporary differences and tax losses	(1,513)	28,110
Change in unrecognized deferred tax assets of deductible temporary differences and tax losses	(683)	(1,240)
	<u>(9,979)</u>	<u>26,870</u>
Income tax expense (benefit)	<u>\$ (9,979)</u>	<u>34,018</u>

No income tax was recognized directly in equity or other comprehensive income for 2018 and 2017.

Reconciliation of income tax expense (benefit) and profit before tax for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Profit before income tax	\$ <u>75,279</u>	<u>303,894</u>
Income tax using the Company's domestic tax rate	\$ 15,056	51,662
Tax-exempt gains on sale of securities	-	(24,523)
Unrealized loss on valuation of financial assets	15,163	971
Dividends income	(31,790)	(12)
Adjustment in tax rate	(7,783)	-
Non-deductible expenses	60	12
Effect of investment loss (gain) under equity method	(2)	-
Changes in unrecognized temporary differences and tax losses	(683)	(1,240)
Income basic tax	<u>-</u>	<u>7,148</u>
	<u>\$ (9,979)</u>	<u>34,018</u>

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets of the Company have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Defined benefits plans	\$ 3,472	2,974
The carryforward of unused tax loss	72,127	61,308
	<u>\$ 75,599</u>	<u>64,282</u>

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

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. As of December 31, 2018, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Year of expiry</u>
2015 (approved))	\$ 59,012	2025
2016 (approved)	301,624	2026
	<u>\$ 360,636</u>	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	<u>Adjustment of difference of useful life of PPE between financial and tax method</u>	<u>Unrealized foreign exchange gains</u>	<u>Land value increment tax provision</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:					
Balance at January 1, 2018	\$ 514	-	264,866	-	265,380
Debit (credit) profit or loss	(123)	-	-	579	456
Balance at December 31, 2018	<u>\$ 391</u>	<u>-</u>	<u>264,866</u>	<u>579</u>	<u>265,836</u>
Balance at January 1, 2017	\$ 695	43	264,866	27	265,631
Debit (credit) profit or loss	(181)	(43)	-	(27)	(251)
Balance at December 31, 2017	<u>\$ 514</u>	<u>-</u>	<u>264,866</u>	<u>-</u>	<u>265,380</u>

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

	<u>Allowance for inventories losses</u>	<u>Tax loss carry- forward</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:				
Balance at January 1, 2018	\$ 452	34,540	9,630	44,622
Credit (debit) profit or loss	<u>6,315</u>	<u>5,430</u>	<u>(1,310)</u>	<u>10,435</u>
Balance at December 31, 2018	<u><u>\$ 6,767</u></u>	<u><u>39,970</u></u>	<u><u>8,320</u></u>	<u><u>55,057</u></u>
Balance at January 1, 2017	\$ 656	63,582	7,505	71,743
Credit (debit) profit or loss	<u>(204)</u>	<u>(29,042)</u>	<u>2,125</u>	<u>(27,121)</u>
Balance at December 31, 2017	<u><u>\$ 452</u></u>	<u><u>34,540</u></u>	<u><u>9,630</u></u>	<u><u>44,622</u></u>

(iii) Examination and approval

The Company's income tax returns for the years through 2016 were examined and approved by the tax authorities.

(s) Share capital and other equity

(i) Capital stock

As of December 31, 2018 and 2017, the authorized shares capital of the Company was \$3,596,222, comprising 359,622 thousand shares, with a par value \$10. All issued shares were paid up upon issuance.

(ii) Retained earnings

According to the Company's articles of incorporation, current-period earnings should first be used to settle all outstanding tax payables and accumulated deficit, and then 10% should be retained as legal reserve until the accumulated legal reserve equals the issued capital stock, and special reserve should be retained or reversed according to the Company's operating environment and statutory requirements. Thereafter, any remaining profit, together with any undistributed prior-period retained earnings, shall be distributed at the discretion of the board of directors and with the resolution to be approved during the stockholders' meeting.

The industry of operation of the Company still has good prospects. The Company will grasp the economic environment for sustainable operation and long-term development. When preparing the proposal for appropriation of net profit, the board of directors will follow a stable dividend policy, which will be based on the Company's expected profit in the future, and plan for operating capital, thereafter, a portion of net profit should be retained. Cash dividends should not be less than 10% of total dividends.

1) Legal reserve

According to the Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When the Company incurs no loss, it may, pursuant to a resolution approved during the shareholder's 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.

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs approved by the FSC, unrealized revaluation gains shall be reclassified as unappropriated retained earnings at the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be retained as a special reserve, and when the relevant assets are used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to \$231,751 on December 31, 2018 and 2017.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be retained as a special reserve. The amount to be retained should be equal to the current-period total reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2018 and 2017, the balance of special reserve was \$420,744.

3) Earnings distribution

In 2017, the profit after tax was used to settle accumulated deficit with the approval of the shareholders on June 28, 2018.

In 2016, the Company incurred losses which had been with the approval of the shareholders on June 29, 2017.

(iii) Other equity (net of tax)

	Financial assets measured at fair value through other comprehensive income	Available-for- sale financial assets
Balance at January 1, 2018	\$ -	9,335
Effects of retrospective application	(6,618)	(9,335)
Balance at January 1, 2018 after adjustments	(6,618)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(532,167)	-
Balance at December 31, 2018	<u>\$ (538,785)</u>	<u>-</u>
Balance at January 1, 2017	\$ -	(632,359)
Unrealized gains (losses) on available-for-sale financial assets	-	641,694
Balance at December 31, 2017	<u>\$ -</u>	<u>9,335</u>

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

(t) Earnings per share

The calculation of basic earnings per share and diluted earnings per share were as follows:

	<u>2018</u>	<u>2017</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>85,258</u>	<u>269,876</u>
Weighted-average number of common shares outstanding (shares in thousands)	<u>359,622</u>	<u>359,622</u>
Basic earnings per share (in dollars)	\$ <u>0.24</u>	<u>0.75</u>

Diluted earnings per share

There were no any potential common share in 2018 and 2017, in addition to those, there were accumulated deficits, therefore, the calculation of dilutive earning per share was the same as that of the basic earnings per share.

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
Primary geographical markets:	
Taiwan	\$ 1,683,731
Mainland China	766,901
Japan	354,010
Other	<u>304,053</u>
Total	<u>\$ 3,108,695</u>
Major products/services lines:	
Manufacture and sale of copper plate	\$ 2,828,724
Processing revenue	113,839
Others	<u>166,132</u>
Total	<u>\$ 3,108,695</u>

As of December 31, 2018, the estimated amount of refund liabilities was \$5,942, recognized as deduction of current-period revenue. The refund liabilities was included in other current liabilities in the balance sheet.

For details on revenue for the year ended December 31, 2017, please refer to note 6(v).

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Notes to the Financial Statements

(ii) Contract balances

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and Accounts receivable (including related parties)	\$ 225,664	260,633
Less: allowance for impairment	<u>-</u>	<u>-</u>
Total	<u>\$ 225,664</u>	<u>260,633</u>
Contract liabilities – advance sales receipts	<u>\$ 12,761</u>	<u>8,450</u>

For additional information on accounts receivable and allowance for impairment, please refer to note 6(e).

The amount of revenue which was recognized in the year ended December 31, 2018, and included in the contract liability balance at January 1, 2018 was \$8,450.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. Contract liabilities was recognized as advance receipts in other current liabilities.

(v) Revenue

The details of revenue of the Company for the year ended December 31, 2017 were as follows:

	<u>2017</u>
Sales of goods	\$ 2,924,464
Processing revenue	<u>125,190</u>
	<u>\$ 3,049,654</u>

As of December 31, 2017, the estimated amount of sales return provision was \$7,985 recognized as deduction of current-period revenue. For related information about sales return provision, please refer to Notes 6(o).

For the information on revenue for the year ended December 31, 2018, please refer to note 6(u).

(w) Remuneration to employees, directors and supervisors

In accordance with the Articles of incorporation, the Company should contribute no less than 3% of the profit as employee remuneration and a maximum of 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

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FIRST COPPER TECHNOLOGY CO., LTD.
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The Company incurred an accumulated deficit in 2018 and 2017, therefore, no remuneration to employees, directors and supervisors were appropriated in both year. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2018 and 2017. Related information would be available at the Market Observation Post System website.

(x) Non-operating income and expenses

(i) Other income

The details of other income of the Company were as follows:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 56	42
Dividend revenue	158,957	73
Rental income	12,128	11,238
Revenue from sale of scrap	1,069	843
Directors' and supervisors' remuneration	3,067	985
Others	<u>342</u>	<u>2,751</u>
	<u>\$ 175,619</u>	<u>15,932</u>

(ii) Other gains and losses

The details of other gains and losses of the Company were as follows:

	<u>2018</u>	<u>2017</u>
Foreign exchange gains, net	\$ 3,140	2,290
Net gains on disposal of available-for-sale financial assets	-	137,179
Net gains on disposal of other financial assets	-	3,970
Net losses of financial assets at fair value through profit or loss	(75,814)	(5,705)
Net gains on disposal of property, plant and equipment	642	91
Depreciation of investment property	(3,306)	(3,153)
Others	<u>(3,880)</u>	<u>(3,380)</u>
	<u>\$ (79,218)</u>	<u>131,292</u>

Net gains on disposal of available-for-sale financial assets resulted from disposal of the Co-tech Development Corp. stock.

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FIRST COPPER TECHNOLOGY CO., LTD.
Notes to the Financial Statements

(iii) Finance costs

The details of finance costs of the Company were as follows:

	2018	2017
Interest expenses		
Bank loans and short-term notes payable	<u>\$ (9,059)</u>	<u>(11,358)</u>
(y) Reclassification adjustments components of other comprehensive income		

The details of reclassification adjustments of other comprehensive income were as follows:

	2017
Available-for-sale financial assets	
Net changes in fair value for the current year	\$ 779,711
Net change in fair value reclassified to profit or loss	<u>(138,017)</u>
Net change in fair value recognized in other comprehensive income	<u>\$ 641,694</u>

(z) Financial Instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$ 168,946	-
Designated at fair value through profit or loss	<u>-</u>	<u>153,872</u>
Subtotal	<u>168,946</u>	<u>153,872</u>
Financial assets at fair value through other comprehensive income (including accounts receivable)	<u>1,932,445</u>	<u>-</u>
Available-for-sale financial assets (including financial assets measured at cost)	<u>-</u>	<u>2,545,767</u>
Financial assets measured at amortized cost (Loan and receivables):		
Cash and cash equivalents	293,458	194,629
Notes receivable, accounts receivable, and other receivable	225,345	275,496
Guarantee deposits paid	<u>6</u>	<u>6</u>
Subtotal	<u>518,809</u>	<u>470,131</u>
Total	<u>\$ 2,620,200</u>	<u>3,169,770</u>

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2) Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities at amortized cost:		
Short-term borrowings	\$ 336,894	256,000
Short-term notes and bills payable	699,829	1,199,860
Payables	162,112	161,677
Total	\$ 1,198,835	1,617,537

(ii) Credit risk

1) Exposure to credit risk

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

2) Concentration to credit risk

The cash is deposited in different financial institutions. The Company manages the credit risk exposure with each of these financial institutions and believes that cash do not have a significant credit risk concentration.

The major customers of the Company are centralized in industries within similar areas and dealers. To reduce concentration of credit risk, the Company evaluates those customers' financial positions and requires customers to provide letter of credit before shipping, if necessary. In addition, the Company evaluates the possibility of collecting the accounts receivable and notes periodically.

As of December 31, 2018 and 2017, one customer accounted for 25.41% and 23.88% of the notes and accounts receivable, respectively, and thus caused a concentration of credit risk.

3) Credit risk of receivables

For credit risk exposure of notes and accounts receivable and the details on loss allowance provision for the years ended December 31, 2018 and 2017, please refer to note 6(e). Other financial assets at amortized cost include other receivables and guarantee deposits paid, for which no impairment loss allowance were recognized or reversed for the year ended December 31, 2017.

All of these other financial assets at amortized cost are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses for the year ended December 31, 2018. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f). No impairment loss allowance was recognized or reversed for the year ended December 31, 2018.

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(iii) Liquidity Risk

Details of financial liabilities categorized by due dates were as follows. The amounts include estimated interest payments but exclude the impacts of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2018							
Non-derivative financial liabilities							
Bank loans	\$ 336,894	337,100	337,100	-	-	-	-
Short-term notes and bills payable	699,829	700,000	700,000	-	-	-	-
Notes payable	3,672	3,672	3,672	-	-	-	-
Accounts payable (including related parties)	133,053	133,053	133,053	-	-	-	-
Other payables	25,387	25,387	25,387	-	-	-	-
	<u>\$ 1,198,835</u>	<u>1,199,212</u>	<u>1,199,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2017							
Non-derivative financial liabilities							
Bank loans	\$ 256,000	256,045	256,045	-	-	-	-
Short-term notes and bills payable	1,199,860	1,200,000	1,200,000	-	-	-	-
Notes payable	8,321	8,321	8,321	-	-	-	-
Accounts payable (including related parties)	120,197	120,197	120,197	-	-	-	-
Other payables	33,159	33,159	33,159	-	-	-	-
	<u>\$ 1,617,537</u>	<u>1,617,722</u>	<u>1,617,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(iv) Foreign currency risk

1) Exposure to foreign currency risk

The Company's significant financial assets and liabilities exposed to foreign currency risk were as follows:

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 988	30.715	30,336	1,207	29.76	35,919
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	458	30.715	14,089	738	29.76	22,011
EUR	11	35.2	373	-	-	-

2) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, trade receivables, other receivables, short-term loans, accounts payable, and other payables. As of December 31, 2018 and 2017, if the exchange rate of the NTD versus the USD and EUR had increased or decreased by 1%, given no changes in other

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factors, the impact were as follow:

2018		2017	
Depreciate 1%	Appreciate 1%	Depreciate 1%	Appreciate 1%
Increase in net profit after tax	Decrease in net profit after tax	Increase in net profit after tax	Decrease in net profit after tax
\$ 127	127	116	116

The analysis is performed in the same basis for 2018 and 2017.

3) Exchange gains and losses from monetary items

The exchange gain (loss) (including realized and unrealized) that resulted from monetary were as follow:

	2018	2017
	Exchange gains (losses)	Exchange gains (losses)
USD	\$ 3,091	1,996
JPY	37	282
EUR	12	12
	\$ 3,140	2,290

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and the interest rate exposure of the Company's financial liabilities.

The sensitivity analysis of interest was determined based on the interest rate of derivative and non-derivative instruments at the reporting date. The analysis of liabilities bearing floating interest rates was prepared based on the assumption that the outstanding amounts at the reporting date had existed for the whole year. Management adopted 0.25% as a reasonable change in interest rates, and therefore evaluated the impacts of 0.25% changes in interest rates.

If interest rates on loans had increased or decreased 0.25%, with all other variables held constant, the information were as follow:

2018		2017	
Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Decrease in net profit after tax	Increase in net profit after tax	Decrease in net profit after tax	Increase in net profit after tax
\$ 674	674	531	531

The impact was due to the floating interest rates of bank loans.

(vi) Other prices risks

If the prices of equity securities change at reporting date, with all other variables held constant, the influences to other comprehensive income, were as follows:

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<u>Prices at reporting date</u>	<u>2018</u>		<u>2017</u>	
	<u>Other comprehensive income after tax</u>	<u>Net income</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>
Increase by 1%	\$ <u>19,227</u>	<u>1,689</u>	<u>25,458</u>	<u>1,539</u>
Decrease by 1%	\$ <u>(19,227)</u>	<u>(1,689)</u>	<u>(25,458)</u>	<u>(1,539)</u>

(vii) Fair value of financial instruments

1) Fair values of financial instruments

The fair value of financial assets at fair value through profit or loss and at fair value through other comprehensive income (available-for-sale financial assets) is measured on recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follow; however, disclosures are not required for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investment that has no quoted prices in the active markets and whose fair value cannot be reliably measured.

	<u>December 31, 2018</u>				
	<u>Carrying amount</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss					
mandatorily measured at fair value through profit or loss	\$ <u>168,946</u>	168,946	-	-	168,946
Financial assets at fair value through other comprehensive income					
Publicly traded stocks	\$ 1,918,787	1,918,787	-	-	1,918,787
Non-publicly traded stocks	3,925	-	-	3,925	3,925
trade receivables	<u>9,733</u>	-	9,733	-	9,733
	<u>\$ 1,932,445</u>				

	<u>December 31, 2017</u>				
	<u>Carrying amount</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through profit or loss					
Publicly traded stocks	\$ <u>153,872</u>	153,872	-	-	153,872

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	December 31, 2017				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets					
Publicly traded stocks	\$ 2,541,513	2,541,513	-	-	2,541,513
Non-publicly traded stocks	<u>4,254</u>	-	-	4,254	4,254
	<u>\$ 2,545,767</u>				

2) The process of valuation of financial instruments and levels of fair value hierarchy

The company's accounting policies include measuring financial and non-financial assets and liabilities at fair value. The company's management department conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This management department also periodically adjusts valuation model, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of 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 the active markets for identified 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 asset or liability that are not based on observable market data (unobservable inputs).

3) Valuation techniques and assumptions used in fair value

Non-derivative instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchange and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

The fair values of the Company's listed securities, with standard terms and conditions, and traded in active markets, were determined by the quoted market prices.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the consolidated balance sheet date.

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The equity instruments of the Company do not have any quoted market price. The fair value of the equity instruments is determined based on the ratio of the quoted market price of the comparative listed Company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

- 4) Transfer between level 1 to level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2018 and 2017.

- 5) Movements of financial assets in level 3

		Fair value through other comprehensive income (Available-for-sale financial assets)
Unquoted equity instruments		
Balance at January 1, 2018	\$	4,254
Recognized in other comprehensive income (loss)		(329)
Balance at December 31, 2018	\$	<u>3,925</u>
Balance at January 1, 2017	\$	3,743
Recognized in other comprehensive income (loss)		511
Balance at December 31, 2017	\$	<u>4,254</u>

For the years ended December 31, 2018 and 2017, total gains (losses) that were included in “unrealized gains and losses from financial assets at fair value through other comprehensive income” (“unrealized gains and losses from available-for-sale financial assets”)

- 6) 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 mainly include “fair value through other comprehensive income (available-for-sale financial assets) — equity investments”.

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For the years ended December 31, 2018 and 2017 Quantified information of significant unobservable inputs was as follows:

<u>Items</u>	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>The relationship between fair value and unobservable inputs</u>
Financial assets at fair value through other comprehensive income (available-for-sale financial assets) – equity investments without active markets	Comparable listed company approach	Lack of marketability discount rate (30% and 20% on December 31, 2018 and 2017, respectively)	The higher the lack-of-marketability discount is, the lower the fair value will be.

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

The fair value measurements of the Company's financial instruments are reasonable. However, change in the use of valuation models or variables may affect the estimations. For fair value measurements in Level 3, the information of changes in the use of valuation variable were as follows:

	<u>Inputs</u>	<u>Increase (decrease)</u>	<u>Fair value change in other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2018				
Financial assets at fair value through other comprehensive income				
Equity investment-without an active market	Marketability discount yield to 30%	10%	560	(560)
December 31, 2017				
Available-for-sale financial assets				
Equity investment-without an active market	Marketability discount yield to 20%	10%	532	(532)

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.

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(aa) 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 Company's risk management objective, policies, and procedures, and the exposure risk arising from the aforementioned risks, are disclosed below. For more quantitative information, please refer to other notes of the financial statements.

(ii) Risk management framework

The board of directors has the overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit committee oversees how the management complies in monitoring the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures and exception management, the results of which are reported to the Audit committee.

(iii) Credit risk

The Company's credit risk is the risk of financial loss when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from accounts receivable and bank deposit.

1) Accounts and other receivable

The Company's exposure credit risk is influenced by the individual characteristics of each customer. The Company continuously monitors the information concerning client credit risk factors, such as the default risk of the industries and countries in which the customers operate.

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According to the credit policy, the Company has to evaluate the credit of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Company reviews credit limits periodically and required customers to pay in advance when the customers' credit ratings did not meet the benchmark.

If necessary, the Company also factors parts of accounts receivable to financial institutions without recourse to reduce the credit risk.

2) Deposits and other financial assets

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks 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.

(iv) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet 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 much 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.

As of December 31, 2018 and 2017, unused credit lines approximated to \$2,620,008 and \$2,096,588, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, 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 another currency. Functional currency is TWD. The currencies used in these transactions are the TWD, USD, JPY and EUR.

Generally, borrowings and purchasing are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD, USD and JPY. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

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2) Interest risk

To reduce the exposure to interest rate risk, the choice of a floating interest rate or a fixed interest rate was based on the Company's evaluation of the global economic environment and the trend in market interest rates.

3) Market price risk of equity instruments

Part of the Company's equity securities are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (financial assets available for sale). These assets are measured at fair value. Therefore, the Company will be exposed to the risk of changes in the value of the equity securities market.

(ab) Capital management

The Company sets its objectives for managing capital to ensure its capacity to continue to operate, to continue to provide returns to its shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment and reduce the capital for redistribution to its shareholders. The Company also issues new shares or sell assets to settle any liabilities.

The Company and other entities in the similar industry use the debt-to-equity ratio in calculating. The total net debt and divided by the total capital. The net debt from the balance sheet are derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, retained earnings, other equity interest, plus, net debt.

In 2018, the Company's capital management strategy is consistent with the prior year. The Company's debt-to-equity ratio at the end of the reporting period as at December 31, 2018 and 2017 was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	\$ 1,525,700	1,954,048
Less: cash and cash equivalents	<u>293,458</u>	<u>194,629</u>
Net debt	1,232,242	1,759,419
Total equity	<u>3,626,057</u>	<u>4,076,224</u>
Capital after adjustment	<u>\$ 4,858,299</u>	<u>5,835,643</u>
Debt-to-equity ratio	25.36%	30.15%

(ac) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities of the Company were as follows:

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	<u>January 1, 2018</u>	<u>Cash flows</u>	<u>Non-Cash changes Amortized interest</u>	<u>December 31, 2018</u>
Short-term borrowings	\$ 256,000	80,894	-	336,894
Short-term notes and bills payable	<u>1,199,860</u>	<u>(505,980)</u>	<u>5,949</u>	<u>699,829</u>
Total liabilities from financing activities	<u>\$ 1,455,860</u>	<u>(425,086)</u>	<u>5,949</u>	<u>1,036,723</u>

(7) Transaction with related parties:

- (a) Parent company and ultimate controlling company

Hua Eng Wire & Cable Co., Ltd. is both the parent company and the ultimate controlling party of the Company. It owns 37.17% of common shares outstanding of the Company. The parent company has issued its consolidated financial statements available for public use.

- (b) Names and relationship with related parties

The followings are related parties that have had transactions with the Company during the periods covered in the financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Hua Eng Wire & Cable Co., Ltd.	Parent Company

- (c) Significant transactions with related parties

- (i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	<u>2018</u>	<u>2017</u>
Parent company	<u>\$ 7,410</u>	<u>12,595</u>

The transition condition for sale to the parent company could not be compared to those of the third-parties sales. The credit terms with the parent company is one month, and those of the third-parties are from one to three months. Receivables from related parties were not secured with collateral and did not require expected credit loss (provisions for bad debt expenses).

- (ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	<u>2018</u>	<u>2017</u>
Parent company	<u>\$ 71,500</u>	<u>51,358</u>

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Since the parent company was the sole supplier for some of the products the Company purchased, the prices of those purchases could not be compared to those of non-related suppliers. The prices of other purchases were not significantly different from non-related suppliers. The payment terms with related parties were one month, and those with other suppliers were one to three months.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	Parent company	\$ <u>-</u>	<u>986</u>

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts payable	Parent company	\$ <u>4,667</u>	<u>8,411</u>

(v) Services from parent company

The Company engaged its parent company to provide management services and paid the fees every month. For the years ended December 31, 2018 and 2017, the management service fees amounted to \$19,200, and were included in operating expenses in the statements of comprehensive income. As of December 31, 2018 and 2017, payables from the above transaction had been settled in full.

(vi) Leases

The Company leased office space from the parent company. The rental expenses were paid monthly. For the years ended December 31, 2018 and 2017, the rental expenses amounted to \$240 per year and were included in operating expenses in the statements of comprehensive income. As of December 31, 2018 and 2017, payables from the above transaction had been settled in full.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 5,514	4,751
Post-employment benefits	146	140
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>\$ 5,660</u>	<u>4,891</u>

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(8) Pledged assets: None.

(9) Significant commitments and contingencies:

Major commitments and contingencies were as follows:

(i) Unrecognized contingencies of contracts:

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment	\$ 8,192	2,202

(ii) Unused standby letters of credit:

	December 31, 2018	December 31, 2017
Purchase of material	\$ 117,721	161,258

(10) Losses due to major disasters: None.

(11) Significant subsequent events: None.

(12) Other:

The employee benefits, depreciation, and amortization expenses, categorized by function, were as follows:

By function By item	2018			2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary and wages	118,719	10,779	129,498	127,902	10,884	138,786
Labor and health insurance	13,479	968	14,447	13,382	873	14,255
Pension	6,011	544	6,555	6,303	499	6,802
Remuneration of directors	-	1,090	1,090	-	661	661
Others personnel costs	7,897	2,985	10,882	8,312	2,899	11,211
Depreciation	69,780	-	69,780	85,236	-	85,236
Amortization	9	-	9	29	-	29

As of December 31, 2018 and 2017, the numbers of the Company's employees were 274 and 272, respectively. There were 5 and 5 non-employee directors for both years.

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(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 for the year ended December 31, 2018.

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Note
				Units (shares)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Asia Pacific Telecom Co., Ltd. stock	The Company's parent company is a director of the investee	Current financial assets at fair value through profit or loss	15,418,000	106,384	0.36 %	106,384	
The Company	Co-Tech Development Corp. stock	The Company's parent company is a director of the investee	Current financial assets at fair value through profit or loss	2,230,375	62,562	0.88 %	62,562	
The Company	Hua Eng Wire & Cable Co., Ltd. stock	The Company's parent company	Non-current financial assets at fair value through other comprehensive income	208,563,824	1,918,787	32.96 %	1,918,787	
The Company	Global Securities Finance Corporation stock	-	Non-current financial assets at fair value through other comprehensive income	700,837	3,925	0.18 %	3,925	

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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Business scope	Original cost		The Company's ownership as of December 31, 2018			Net income (losses) of investee	Investment income (loss) recognized by the Company	Note
				December 31, 2018	December 31, 2017	Shares	Percentage	Carrying value			
The Company	Hua Ho Engineering Co., Ltd.	Kaohsiung	Cable engineering	165	165	10,000	0.29 %	93	3,650	10	Associates

(c) Information on investment in Mainland China: None.

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Notes to the Financial Statements

(14) Segment information:

(a) General Information

The Company has one reportable segment and is mainly engaged in single-product manufacturing and selling of cooper. The accounting policies of the operating segments are the same as those described in note 4. The operating segment's profit of the Company uses the operating income before tax as the measurement and basis of performance evaluation.

(b) Product and service information

Sales to customers (excluding related parties) of the Company were as follows:

<u>Production</u>	<u>2018</u>	<u>2017</u>
Copper plate	\$ 2,828,724	2,821,175
Processing revenue	113,839	125,190
Others	<u>166,132</u>	<u>103,289</u>
Total	<u>\$ 3,108,695</u>	<u>3,049,654</u>

(c) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

<u>Geographic information</u>	<u>2018</u>	<u>2017</u>
Revenue from external customers:		
Taiwan	\$ 1,683,731	1,680,799
Mainland China	766,901	716,237
Japan	354,010	365,067
Other countries	<u>304,053</u>	<u>287,551</u>
Total	<u>\$ 3,108,695</u>	<u>3,049,654</u>
Non-current assets:		
Taiwan	<u>\$ 1,102,249</u>	<u>1,143,091</u>

Non-current assets included property, plant and equipment, investment property, intangible assets, and other assets not including financial instruments and deferred tax assets.

(d) Major customer's information

The Company did not have the individual customers that constituted over 10% of the total revenue in the statements of income in 2018 and 2017.