Stock Code:2009

FIRST COPPER TECHNOLOGY CO., LTD.

Financial Statements

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

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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, 2019 and 2018, 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, 2019 and 2018, 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(a) for significant accounting assumptions and judgment, and major sources of estimation uncertainty. Information regarding the inventory is shown in Note 6(f) 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.

Non-financial asset impairment(Non-goodwill)

Please refer to Note 4(m) for significant accounting policies of non-financial asset impairment, Note 5(b) for significant accounting assumptions and judment and major sources of estimation uncertainty, and Note 6(h) for non-financial asset impairment of the financial statements.

Description of key audit matter:

Since the carrying value of net asset of the Company is higher than its aggregate market value, the indication that an asset may be impaired caused considerable concern. Therefore, the non-financial asset impairment 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 included assessing whether there are impairment indications for the identified cash-generating units of the Company; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment, and the significant assumptions used to determine related assets' future cash flows projection, as well as the weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; performing an inquiry of the management and identifying any event after the balance sheet date whether they are able to affect the results of the impairment assessment; as well as evaluating the adequacy of the Company's disclosures of its policy on asset impairment and other related disclosures.

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 Cheng Lung, Hsu.

KPMG

Taipei, Taiwan (Republic of China)
March 23, 2020

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)

FIRST COPPER TECHNOLOGY CO., LTD.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 374,733	7	293,458	6
1110	Current financial assets at fair value through profit or loss (note 6(b))	211,000	4	168,946	3
1150	Notes receivable (note 6(d))	2,330	-	6,039	-
1172	Accounts receivable (note 6(d))	152,058	3	219,625	4
1180	Accounts receivable from related parties (notes 6(d) and 7)	100	-	-	-
1200	Other receivables (notes 6(d) and (e))	9,622	-	9,414	-
130X	Inventories (note 6(f))	1,231,771	24	1,357,672	27
1470	Other current assets (note 6(k))	8,517	-	16,486	-
	Total current assets	1,990,131	38	2,071,640	40
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income(note 6(c))	2,078,483	39	1,922,712	37
1550	Investments accounted for using equity method (note 6(g))	97	-	93	-
1600	Property, plant and equipment (note 6(h))	871,860	16	863,399	17
1760	Investment property, net (notes 6(i) and (o))	232,111	4	235,470	5
1840	Deferred tax assets (note 6(q))	55,004	1	55,057	1
1915	Prepayments for equipment	67,960	2	3,380	-
1920	Guarantee deposits paid (note 6(e))	6	-	6	-
	Total non-current assets	3,305,521	62	3,080,117	60
	Total assets	$ 5,295,652	100	5,151,757	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(l))	$ 388,400	7	336,894	7
2110	Short-term notes and bills payable (notes 6(l) and (m))	799,726	16	699,829	14
2150	Notes payable (notes 6(p))	2,985	-	3,672	-
2170	Accounts payable	86,797	2	128,386	2
2180	Accounts payable to related parties (note 7)	5,384	-	4,667	-
2200	Other payables (note 6(p))	47,815	1	48,716	1
2300	Other current liabilities (notes 6(n) and (t))	13,999	-	20,197	-
	Total current liabilities	1,345,106	26	1,242,361	24
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(q))	265,313	5	265,836	5
2640	Net defined benefit liability, non-current (note 6(p))	7,662	-	17,503	-
	Total non-current liabilities	272,975	5	283,339	5
	Total liabilities	1,618,081	31	1,525,700	29
	Equity (note 6(r)):				
3110	Ordinary share	3,596,222	68	3,596,222	70
3300	Retained earnings:				
3320	Special reserve	652,495	12	652,495	13
3350	Deficit yet to be compensated	(188,132)	(4)	(83,875)	(2)
		464,363	8	568,620	11
3400	Other equity interest	(383,014)	(7)	(538,785)	(10)
	Total equity	3,677,571	69	3,626,057	71
	Total liabilities and equity	$ 5,295,652	100	5,151,757	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

FIRST COPPER TECHNOLOGY CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4100	**Operating revenues (notes 6(t) and 7)**	$ 2,544,943	100	3,108,695	100
5000	**Operating costs (notes 6(f) and (p),7 and 12)**	2,636,550	104	3,064,729	99
5900	**Gross profit (loss)**	(91,607)	(4)	43,966	1
6000	**Operating expenses (notes 6(p), 7 and 12)**	53,538	2	56,039	1
6900	**Operating loss**	(145,145)	(6)	(12,073)	-
7000	**Non-operating income and expenses (note 6(v)):**				
7010	Other income	18,682	1	175,619	6
7020	Other gains and losses, net (note 6(o))	34,770	1	(79,218)	(3)
7050	Finance costs	(8,123)	-	(9,059)	-
7060	Share of profit of associates and joint ventures accounted for using equity method, net (note 6(g))	4	-	10	-
		45,333	2	87,352	3
7900	**Profit (loss) before income tax**	(99,812)	(4)	75,279	3
7950	Less: Income tax benefit (note 6(q))	(470)	-	(9,979)	-
8200	**Profit (loss)**	(99,342)	(4)	85,258	3
8300	**Other comprehensive income (loss):**				
8310	**Item that may not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans (note 6(p))	(4,915)	-	(3,257)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(r))	155,771	6	(532,167)	(17)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified	-	-	(1)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(q))	-	-	-	-
		150,856	6	(535,425)	(17)
8300	**Other comprehensive income (after tax)**	150,856	6	(535,425)	(17)
8500	**Comprehensive income**	**$ 51,514**	**2**	**(450,167)**	**(14)**
	Earnings per share (note 6(s)):				
9750	**Basic earnings per share (in New Taiwan Dollars)**	**$ (0.28)**		**0.24**	
9850	**Diluted earnings per share (in New Taiwan Dollars)**	**$ (0.28)**		**0.24**	

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings		Total other equity interest			
		Ordinary shares	Special reserve	Unappropriated retained earnings(Deficit yet to be compensated)	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance at January 1, 2018	$	3,596,222	652,495	(181,828)	-	9,335	9,335	4,076,224
Effects of retrospective application		-	-	15,953	(6,618)	(9,335)	(15,953)	-
Balance on January 1, 2018 after adjustments		3,596,222	652,495	(165,875)	(6,618)	-	(6,618)	4,076,224
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		**3,596,222**	**652,495**	**(83,875)**	**(538,785)**	**-**	**(538,785)**	**3,626,057**
Loss for the year ended December 31,2019		-	-	(99,342)	-	-	-	(99,342)
Other comprehensive income for the year ended December 31,2019		-	-	(4,915)	155,771	-	155,771	150,856
Total comprehensive income for the year ended December 31,2019		-	-	(104,257)	155,771	-	155,771	51,514
Balance at December 31, 2019	**$**	**3,596,222**	**652,495**	**(188,132)**	**(383,014)**	**-**	**(383,014)**	**3,677,571**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
(Loss) profit before tax	$ (99,812)	75,279
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	62,513	73,086
Amortization expense	-	9
Net (gain) loss on financial assets at fair value through profit or loss	(42,054)	75,814
Interest expense	8,123	9,059
Interest income	(74)	(56)
Dividend income	(5,011)	(158,957)
Share of profit of associates and joint ventures accounted for using equity method	(4)	(10)
Loss (gain) on disposal of property, plant and equipment	24	(642)
Total adjustments to reconcile profit (loss)	23,517	(1,697)
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Decrease in notes receivable	3,709	579
Decrease in accounts receivable	67,567	33,404
Decrease (increase) in accounts receivable from related parties	(100)	986
Decrease (increase) in other receivables	(208)	5,449
Decrease in inventories	125,901	283,485
Decrease in other current assets	7,969	15,062
Net changes in operating assets	204,838	338,965
Net changes in operating liabilities:		
Decrease in notes payable	(687)	(4,649)
Increase (decrease) in accounts payable	(41,589)	16,600
Increase (decrease) in accounts payable to related parties	717	(3,744)
Decrease in other payable	(1,723)	(13,552)
Increase (decrease) in other current liabilities	(6,198)	2,795
Decrease in net defined benefit liability	(14,756)	(3,382)
Net changes in operating liabilities	(64,236)	(5,932)
Net changes in operating assets and liabilities	140,602	333,033
Total adjustments	164,119	331,336
Cash inflow generated from operations	64,307	406,615
Interest received	74	56
Dividends received	5,011	158,957
Interest paid	(2,700)	(3,130)
Income taxes paid	-	(7,148)
Net cash flows from operating activities	66,692	555,350
Cash flows used in investing activities:		
Acquisition of property, plant and equipment	(67,639)	(27,894)
Proceeds from disposal of property, plant and equipment	-	642
Increase in investment properties	-	(979)
Increase in prepayments for equipment	(64,580)	(3,380)
Net cash flows used in investing activities	(132,219)	(31,611)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	51,506	80,894
Increase (decrease) in short-term notes and bills payable	94,486	(505,980)
Increase in guarantee deposits received	810	176
Net cash flows from (used in) financing activities	146,802	(424,910)
Net increase in cash and cash equivalents	81,275	98,829
Cash and cash equivalents at beginning of period	293,458	194,629
Cash and cash equivalents at end of period	**$ 374,733**	**293,458**

See accompanying notes to financial statements.

(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 issue by the Board of Directors on March 23, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

(i) IFRS 16"Leases"

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

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below.

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

1) Definition of a lease

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

On transition to IFRS 16, the Company chooses to apply the definition of a lease to all its contracts whether a contract is, or contains, a lease. The Company assesses that current lease of office space and parking space do not comply with the definition of lease under IFRS 16.

2) As a lessee

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

3) As a lessor

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

4) Impacts on financial statements

On transition to IFRS 16, there would not have any material impact on its financial statements.

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

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

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

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

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

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

(Continued)

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

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

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

(4) Summary of significant accounting policies:

The 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).

(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 assets at fair value through profit or loss are measured at fair value;

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

3) The defined benefit 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 functional currency of entity is determined based on the primary economic environment in which the entity operate.

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.

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

(c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for the investment in equity securities designated as at fair value through other comprehensive income, 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;

(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.

(Continued)

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

(f) Financial instruments

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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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.

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes：

· the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows, or realizing cash flows through the sale of the assets;

· how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated ─ e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered as sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, such that it would not meet this condition. In making this assessment, the Company considers：

- contingent events that would change the amount or timing of cash flows；
- terms that may adjust the contractual coupon rate, including variable rate features；
- prepayment and extension features；and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

6) Impairment of financial assets

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

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- 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.

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.

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.

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.

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. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer；

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- a breach of contract such as a default or being more than 180 days past due；
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider；
- it is probable that the borrower will enter bankruptcy or other financial reorganization；or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

7) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(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 present 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.

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(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 those associates, after adjustments to align the accounting policies with those of the Company from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

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

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

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

The estimated useful lives for the current and comparative years 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 annual reporting date and adjusted if appropriate.

(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

Applicable from January 1, 2019

(i) Identifying a lease

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

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

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

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

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

(2) the relevant decisions about how and for what purpose the asset is used are predetermined and:

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

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

On the date of lease establishment or reassessment of whether the contract includes a lease, the Company allocates the consideration in the contract to each lease on the basis of their relative stand-alone price.

(ii) As a leasee

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

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

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

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

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

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

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

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

(iii) As a lessor

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

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of rental income.

Applicable before January 1, 2019

(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.

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(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 value 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 rent is recognized as expense in the period when the lease adjustments are confirmed.

(l) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated 2 years useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(m) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

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

For non-financial assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and 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 value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(o) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

The Company recognizes revenue when control of the products has 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) Contract costs

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

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performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(q) Income taxes

Income taxes comprise 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.

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

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

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

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

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

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

(i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(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 as follows:

(a) 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(f) for further description of the valuation of inventories.

(b) Impairment of non-financial assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups with the consideration of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Refer to Note 6(h) for evaluation for impairment of non-financial assets.

The Company’s financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

When measuring the fair value of an asset, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

(a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

(b) 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).

(c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash and cash on hand	$	202	162
Checking deposits and demand deposits		374,531	293,296
Cash and cash equivalents in the statement of cash flows	**$**	**374,733**	**293,458**

Please refer to note 6(w) 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

		December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Publicly traded stocks	**$**	**211,000**	**168,946**

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

The Company did not provide above financial assets at fair value through profit or loss as collateral or restricted.

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

		December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income:			
Publicly traded stocks－Hua Eng Wire&Cable Co., Ltd.	$	2,075,210	1,918,787
Non-publicly traded stocks－Global Securities Finance Corporation		3,273	3,925
Total	$	**2,078,483**	**1,922,712**

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 Company intend to hold for long-term strategic purposes.

During the years ended December 31, 2019 and 2018, the dividends of $104 thousand and $152,266 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, 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, 2019 and 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

For market risk information, please refer to note 6(w).

The Company did not provide above financial assets at fair value through other comprehensive income as collateral or restricted.

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

		December 31, 2019	December 31, 2018
Notes receivable from operating activities	$	2,330	6,039
Accounts receivable (including related parties) — measured at amortized cost		147,639	209,892
Accounts receivable — measured at fair value through other comprehensive income		4,519	9,733
	$	**154,488**	**225,664**

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 was measured at fair value through other comprehensive income.

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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. 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 was determined as follows:

	108.12.31		
	Gross carrying amount of notes and accounts receivable	**Weighted-average loss rate**	**Loss allowance provision**
Non-overdue	$ 154,488	-	-
Overdue	-	-	-
	$ 154,488		**-**

	107.12.31		
	Gross carrying amount of notes and accounts receivable	**Weighted-average loss rate**	**Loss allowance provision**
Non-overdue	$ 225,664	-	-
Overdue	-	-	-
	$ 225,664		**-**

The movement in the allowance for notes and accounts receivable were as follows:

	2019	**2018**
Balance at January 1 (Balance at December 31)	**$ -**	**-**

The Company did not provide notes and accounts receivable as collateral or restricted.

For further credit risk information, please refer to note 6(w).

The Company entered into separate factoring agreements with different financial institutions to sell its accounts receivable. Under the agreements, 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. The Company derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the financial institutions were recognized as other receivables upon the derecognition of those accounts receivable. The Company sold its accounts receivable without recourse as follows:

December 31, 2019						
		Amount advanced				
Purchaser	**Amount derecognized**	**Unpaid**	**paid**	**Amount recognized in other receivables**	**Range of interest rate**	**Significant transferring terms**
Taishin Bank	$ 16,337	14,704	14,704	1,633	2.75%~2.88%	None
CTBC Bank	26,270	23,643	21,728	4,542	2.80%	None
CTBC Bank	2,980	2,682	-	2,980	-	None
	$ 45,587		**36,432**	**9,155**		

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December 31, 2018

Purchaser		Amount derecognized	Amount advanced Unpaid	paid	Amount recognized in other receivables	Range of interest rate	Significant transferring terms
Taishin Bank	$	11,809	10,628	9,904	1,905	3.13%~3.80%	None
CTBC Bank		42,030	37,827	37,827	4,203	3.01%~3.96%	None
CTBC Bank		2,031	1,828	-	2,031	-	None
	$	**55,870**		**47,731**	**8,139**		

(e) Other receivables and guarantee deposits paid

		December 31, 2019	December 31, 2018
Other receivables - factoring accounts receivable	$	9,155	8,139
Other receivables - others		467	1,275
Guarantee deposits paid		6	6
Less: loss allowance		-	-
	$	**9,628**	**9,420**
Classified as:			
Other receivables	$	9,622	9,414
Guarantee deposits paid		6	6
	$	**9,628**	**9,420**

For further credit risk information, please refer to note 6(w).

(f) Inventories

		December 31, 2019	December 31, 2018
Finished goods	$	186,817	166,571
Work in progress		562,264	582,910
Raw materials and supplies		439,224	577,658
Inventories in transit		43,466	30,533
	$	**1,231,771**	**1,357,672**

The details of the cost of sales were as follows:

		2019	2018
Inventoy that has been sold	$	2,599,931	2,998,538
Write- down of inventories (Reversal of write-down)		(3,765)	30,139
Unallocated production overheads		45,332	40,697
Others		(4,948)	(4,645)
	$	**2,636,550**	**3,064,729**

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The Company did not provide any inventories as collateral or restricted.

(g) 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, 2019	December 31, 2018
Associate	$ 97	93

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

	December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associates' equity	$ 97	93

	2019	2018
Attributable to the Company:		
Profit from continuing operations	$ 4	10
Other comprehensive income	-	(1)
Total comprehensive income	$ 4	9

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

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 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, 2019	$ 515,430	350,669	3,376,335	30,165	-	4,272,599
Additions	-	6,270	29,470	463	31,436	67,639
Reclassifications	-	-	10,340	-	(10,340)	-
Disposals	-	-	(12,068)	(370)	-	(12,438)
Balance at December 31, 2019	$ 515,430	356,939	3,404,077	30,258	21,096	4,327,800
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

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	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and testing equipment	Total
Depreciation:						
Balance at January 1, 2019	$ -	263,905	3,118,692	26,603	-	3,409,200
Depreciation	-	8,852	49,179	1,123	-	59,154
Disposals	-	-	(12,044)	(370)	-	(12,414)
Balance at December 31, 2019	$ -	272,757	3,155,827	27,356	-	3,455,940
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
Carrying amounts:						
Balance at December 31, 2019	$ 515,430	84,182	248,250	2,902	21,096	871,860
Balance at December 31, 2018	$ 515,430	86,764	257,643	3,562	-	863,399

(i) Impairment assessment:

The Company tests for impairment of the cash-generating unit containing the property, plant and equipment. As of December 31, 2019, that testing shows that the property, plant and equipment is not impaired.

(ii) 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(v).

(i) Investment property

The details of investment property were as follows:

	Owned property		
	Land and improvements	Building and other	Total
Cost or deemed cost:			
Balance at January 1, 2019	$ 174,801	92,045	266,846
Balance at December 31, 2019	$ 174,801	92,045	266,846
Balance at January 1, 2018	$ 174,801	91,066	265,867
Additions	-	979	979
Balance at December 31, 2018	$ 174,801	92,045	266,846
Depreciation:			
Balance at January 1, 2019	$ -	31,376	31,376
Depreciation for the year	-	3,359	3,359
Balance at December 31, 2019	$ -	34,735	34,735

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	Owned property		
	Land and improvements	Building and other	Total
Balance at January 1, 2018	$ -	28,070	28,070
Depreciation for the year	-	3,306	3,306
Balance at December 31, 2018	$ -	31,376	31,376
Carrying amount:			
Balance at December 31, 2019	$ 174,801	57,310	232,111
Balance at December 31, 2018	$ 174,801	60,669	235,470
Fair value:			
Balance at December 31, 2019			$ 591,787
Balance at December 31, 2018			$ 582,079

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

As of December 31, 2019 and 2018, 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 value is classified to Level 3.

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

(j) Intangible assets

Intangible assets of the Company are computer software. The costs and amortization of the intangible assets for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cost:		
Balance at January 1	$ -	40
Disposals	-	(40)
Balance at December 31	$ -	-
Amortization:		
Balance at January 1	$ -	31
Amortization	-	9
Disposals	-	(40)
Balance at December 31	$ -	-
Carrying amounts:		
Balance at January 1	$ -	9
Balance at December 31	$ -	-

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(k) Other current assets

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

		December 31, 2019	December 31, 2018
Prepaid Expenses	$	428	560
Prepaid raw materials		84	151
Excess business tax paid		2,620	10,189
Right to the returned goods		5,030	4,337
Others		355	1,249
	$	**8,517**	**16,486**

(l) Short-term borrowings

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

		December 31, 2019	December 31, 2018
Letters of credit	$	28,400	22,894
Unsecured loans		360,000	314,000
Total	**$**	**388,400**	**336,894**
Unused credit lines	**$**	**2,302,365**	**2,620,008**
Range of interest rates		**1.03%～1.15%**	**1.03%～3.91%**

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

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

(m) Short-term notes and bills payable

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

		December 31, 2019	December 31, 2018
Commercial paper payable	**$**	**799,726**	**699,829**
Range of interest rates		**0.988%~0.998%**	**0.938%~0.998%**

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(l).

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(n) Other current liabilities

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

		December 31, 2019	December 31, 2018
Advance receipts	$	7,248	13,809
Refund liabilities		6,693	5,942
Temporary credits		35	446
Receipts under custody		23	-
	$	**13,999**	**20,197**

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

(o) 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. The Company has classified these leases as operating leases, because it does not transfer substantially all of risks and rewards incidental to the ownership of the assets. Please refer to note 6(i) sets out information about the operating leases of invesment property.

As of December 31, 2019, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporing date are as follows:

		December 31, 2019
Less than one year	$	12,573
One to two years		4,190
Total undiscounted lease payments	**$**	**16,763**

As of December 31, 2018, the future minimum lease payments under non- cancellable leases are as follows:

		December 31, 2018
Less than one year	$	12,573
One to five years		16,763
	$	**29,336**

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Rental income from investment property amounted to $12,573 and $12,128 in 2019 and 2018, respectively, is included in other income in the statements of comprehensive income. The direct expenses including repairs and maintenance arising from income-generating investment property amounted to $2,530 and $2,548 in 2019 and 2018, respectively, are included in other gains and losses in the statements of comprehensive income.

(p) 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, 2019	December 31, 2018
Present value of the defined benefit obligations	$	119,333	119,613
Fair value of plan assets		(111,671)	(102,110)
Net defined benefit liabilities	**$**	**7,662**	**17,503**

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 $111,671 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 the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor. The pension funds for mangers deposited with time deposits and demand deposits.

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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:

		2019	2018
Defined benefit obligations at January 1	$	119,613	113,719
Current service costs and interest		1,513	1,805
Remeasurement of the net defined benefit liabilities :			
–Actuarial loss (gain) arising from change in financial assumptions		3,096	2,166
–Actuarial loss (gain) arising from experience adjustments		5,288	3,724
Benefits paid by the plan		(10,177)	(1,801)
Defined benefit obligations at December 31	**$**	**119,333**	**119,613**

3) Movements in the fair value of plan assets

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

		2019	2018
Fair value of plan assets at January 1	$	102,110	96,091
Interest income		1,112	1,302
Remeasurements of the net defined benefit liabilities :			
–Return on plan assets (excluding interest income)		3,469	2,633
Contribution made		15,157	3,885
Benefits paid by the plan		(10,177)	(1,801)
Fair value of plan assets at December 31	**$**	**111,671**	**102,110**

4) Expenses recognized in profit or loss

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

		2019	2018
Current service costs	$	214	272
Net interest of net defined benefit liabilities		187	231
	$	**401**	**503**
Operating costs	$	358	451
Operating expenses		43	52
	$	**401**	**503**

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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:

		2019	2018
Accumulated amount at January 1	$	(33,721)	(30,464)
Recognized during the period		(4,915)	(3,257)
Accumulated amount at December 31	**$**	**(38,636)**	**(33,721)**

6) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	0.750 %	1.125 %
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 $3,758.

The weighted-average lifetime of the defined benefits plans is 9.73 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased	**Decreased**
As of December 31, 2019			
Discount rate (Decreasing or Increasing in 0.25%)	$	(2,079)	2,140
Future salary increasing rate (Decreasing or Increasing in 0.25%)		2,061	(2,012)
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)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined

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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 2019 and 2018.

(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 $6,278 and $6,052 for 2019 and 2018, respectively. As of December 31, 2019 and 2018, the payables which had not been contributed to the Bureau of Labor Insurance were $1,201 and $1,153 respectively, and were recognized as other payables and notes payable in the balance sheets.

(iii) Short-term benefit obligation

As of December 31, 2019 and 2018, the Company's short-term benefit liabilities for vacation were $5,867 and $5,823, respectively, and were recognized as other payables in the balance sheets.

(q) Income taxes

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

	2019	2018
Current tax expense		
Current period	$ -	-
Deferred tax expense (benefit)		
Adjustment in tax rate	-	(7,783)
Origination and reversal of temporary differences and tax losses	(39,960)	(1,513)
Change in unrecognized deferred tax assets of deductible temporary differences and tax losses	39,490	(683)
	(470)	(9,979)
Income tax benefit	**$ (470)**	**(9,979)**

No income tax was recognized directly in equity or other comprehensive income for 2019 and 2018.

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Reconciliation of income tax benefit and profit (loss) before income tax for 2019 and 2018 were as follows:

	2019	2018
Profit (loss) before income tax	$ (99,812)	75,279
Income tax using the Company’s domestic tax rate	$ (19,962)	15,056
Compensate for loss reduction of investce	(10,691)	-
Unrealized loss (gain) on valuation of financial assets	(8,411)	15,163
Dividends income	(1,002)	(31,790)
Adjustment in tax rate	-	(7,783)
Non-deductible expenses	108	60
Effect of investment loss (gain) under equity method	(1)	(2)
Changes in unrecognized temporary differences and tax losses	39,490	(683)
Others	(1)	-
	$ (470)	**(9,979)**

(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, 2019	December 31, 2018
Defined benefits plans	$ 7,556	17,361
The carryfoward of unused tax loss	567,792	360,636
	$ 575,348	**377,997**

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, 2019, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	Year of expiry
2015 (approved)	$ 59,012	2025
2016 (approved)	301,624	2026
2019 (not yet approved)	207,156	2029
	$ 567,792	

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2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

		Adjustment of difference of useful life of PPE between financial and tax method	Land value increment tax provision	Others	Total
Deferred tax liabilities:					
Balance at January 1, 2019	$	391	264,866	579	265,836
Credit profit or loss		(213)	-	(310)	(523)
Balance at December 31, 2019	$	**178**	**264,866**	**269**	**265,313**
Balance at January 1, 2018	$	514	264,866	-	265,380
Debit (credit) profit or loss		(123)	-	579	456
Balance at December 31, 2018	$	**391**	**264,866**	**579**	**265,836**

		Allowance for inventories losses	Tax loss carry-forward	Others	Total
Deferred tax assets:					
Balance at January 1, 2019	$	6,767	39,970	8,320	55,057
Credit (debit) profit or loss		(735)	(1)	683	(53)
Balance at December 31, 2019	$	**6,032**	**39,969**	**9,003**	**55,004**
Balance at January 1, 2018	$	452	34,540	9,630	44,622
Credit (debit) profit or loss		6,315	5,430	(1,310)	10,435
Balance at December 31, 2018	$	**6,767**	**39,970**	**8,320**	**55,057**

(iii) Assessment of tax

The Company's income tax returns for the years through 2017 were assessed by the tax authorities.

(r) Share capital and other equity

(i) Capital stock

As of December 31, 2019 and 2018, 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.

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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

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.

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, 2019 and 2018.

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, 2019 and 2018, the balance of special reserve was $420,744.

3) Earnings distribution

In 2018, the profit after tax was used to settle accumulated deficit with the approval of the shareholders on June 19, 2019.

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

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(iii) Other equity (net of tax)

	Financial assets measured at fair value through other comprehensive income
Balance at January 1, 2019	$ (538,785)
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	155,771
Balance at December 31, 2019	**$ (383,014)**
Balance at January 1, 2018	$ -
Effects of retrospective application	(6,618)
Balance at January 1, 2018 after adjustment	(6,618)
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	(532,167)
Balance at December 31, 2018	**$ (538,785)**

(s) Earnings per share

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

	2019	2018
Basic earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company	**$ (99,342)**	**85,258**
Weighted-average number of common shares outstanding (shares in thousands)	**359,622**	**359,622**
Basic earnings per share (in dollars)	**$ (0.28)**	**0.24**

Diluted earnings per share

There were no any potential common share in 2019 and 2018, 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.

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

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		2019	2018
Primary geographical markets:			
Taiwan	$	1,369,525	1,683,731
Mainland China		598,822	766,901
Japan		341,779	354,010
Others		234,817	304,053
Total	$	**2,544,943**	**3,108,695**
Major products/services lines:			
Manufacture and sale of copper plate	$	2,256,701	2,828,724
Processing revenue		101,696	113,839
Others		186,546	166,132
Total	$	**2,544,943**	**3,108,695**

As of December 31, 2019 and 2018, the estimated amount of refund liabilities was $6,693 and $5,942, respectively, recognized as deduction of current-period revenue. The refund liabilities were included in other current liabilities in the balance sheets.

(ii) Contract balances

		December 31, 2019	December 31, 2018
Notes and accounts receivable (including related parties)	$	154,488	225,664
Less: allowance for impairment		-	-
Total	$	**154,488**	**225,664**
Contract liabilities－advance sales receipts	$	**6,200**	**12,761**

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

The amount of revenue which was recognized in the years ended December 31, 2019 and 2018, and included in the contract liability balance at January 1, 2019 and 2018 were $12,760 and $8,450 respectively.

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.

(u) 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.

The Company incurred an accumulated deficit in 2019 and 2018, 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 2019 and 2018. Related information would be available at the Market Observation Post System website.

(v) Non-operating income and expenses

(i) Other income

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

		2019	2018
Interest income	$	74	56
Dividend revenue		5,011	158,957
Rental income		12,573	12,128
Revenue from sale of scrap		665	1,069
Directors' and supervisors' remuneration		-	3,067
Others		359	342
	$	**18,682**	**175,619**

(ii) Other gains and losses

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

		2019	2018
Foreign exchange gains or losses, net	$	(27)	3,140
Net gains (losses) of financial assets at fair value through profit and loss		42,054	(75,814)
Net gains (losses) on disposal of property, plant and equipment		(24)	642
Depreciation of investment property		(3,359)	(3,306)
Others		(3,874)	(3,880)
	$	**34,770**	**(79,218)**

(iii) Finance costs

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

		2019	2018
Interest expenses			
Bank loans and short-term notes and bills payable	**$**	**(8,123)**	**(9,059)**

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(w) Financial instruments

(i) Categories of financial instruments

1) Financial assets

		December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit or loss	$	211,000	168,946
Financial assets at fair value through other comprehensive income (including accounts receivable)		2,083,002	1,932,445
Financial assets measured at amortized cost			
Cash and cash equivalents		374,733	293,458
Notes receivable, accounts receivable (including related pories), and other receivables		159,591	225,345
Guarantee deposits paid		6	6
Sub total		534,330	518,809
Total	**$**	**2,828,332**	**2,620,200**

2) Financial liabilities

		December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:			
Short-term borrowings	$	388,400	336,894
Short-term notes and bills payable		799,726	699,829
Payables (including related parties)		121,293	162,112
Total	**$**	**1,309,419**	**1,198,835**

(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.

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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 notes and accounts receivable periodically.

As of December 31, 2019 and 2018, one customer accounted for 33.73% and 25.41% 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, please refer to note 6(d). Other financial assets at amortized cost include other receivables and guarantee deposits paid.

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. 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 years ended December 31, 2019 and 2018.

(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.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2019							
Non-derivative financial liabilities							
Bank loans	$ 388,400	388,584	388,584	-	-	-	-
Short-term notes and bills payable	799,726	800,000	800,000	-	-	-	-
Notes payable	2,985	2,985	2,985	-	-	-	-
Accounts payable (including related parties)	92,181	92,181	92,181	-	-	-	-
Other payables	26,127	26,127	26,127	-	-	-	-
	$ 1,309,419	**1,309,877**	**1,309,877**	**-**	**-**	**-**	**-**
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	-	-	-	-
	$ 1,198,835	**1,199,212**	**1,199,212**	**-**	**-**	**-**	**-**

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

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(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:

		December 31, 2019			December 31, 2018		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD	$	993	29.98	29,784	988	30.715	30,336
Financial liabilities							
Monetary items							
USD	$	225	29.980	6,753	458	30.715	14,089
JPY		948	0.276	262	-	-	-
EUR		15	33.59	488	11	35.20	373

2) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivables, other receivables, short-term borrowings, accounts payable, and other payables. As of December 31, 2019 and 2018, if the exchange rate of the NTD versus the USD, JPY and EUR had increased or decreased by 1%, given no changes in other factors, the impact were as follow:

2019		2018	
Depreciate 1%	Appreciate 1%	Depreciate 1%	Appreciate 1%
Decrease in net loss after tax	Increase in net loss after tax	Increase in net profit after tax	Decrease in net profit after tax
$ 178	**178**	**127**	**127**

The analysis is performed in the same basis for 2019 and 2018.

3) Exchange gains and losses from monetary items

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

		2019	2018
		Exchange gains (losses)	Exchange gains (losses)
USD	$	(60)	3,091
JPY		11	37
EUR		22	12
	$	**(27)**	**3,140**

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(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 borrowings had increased or decreased 0.25%, with all other variables held constant, the information was as follow:

2019		2018	
Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Increase in net loss after tax	Decrease in net loss after tax	Decrease in net profit after tax	Increase in net profit after tax
$ 777	777	674	674

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

(vi) Equity securities 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:

	2019		2018	
Prices at reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increase by 1%	$ 20,785	2,110	19,227	1,689
Decrease by 1%	$ (20,785)	(2,110)	(19,227)	(1,689)

(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 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, except as described in following paragraphs, for financial instruments not measured at fair value whose carring amount is reasonably close to the fair value, disclosure of fair value information is not required:

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	December 31, 2019				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 211,000	211,000	-	-	211,000
Financial assets at fair value through other comprehensive income					
Publicly traded stocks	$ 2,075,210	2,075,210	-	-	2,075,210
Non-publicly traded stocks	3,273	-	-	3,273	3,273
Accounts receivable	4,519	-	4,519	-	4,519
	$ 2,083,002				

	December 31, 2018				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 168,946	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
Accounts receivable	9,733	-	9,733	-	9,733
	$ 1,932,445				

2) 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

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observable market data at the reporting date.

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.

3) Transfer between level 1 to level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2019 and 2018.

4) Movements of financial assets in level 3

	Fair value through other comprehensive income
	Equity investment without an active market
Balance at January 1, 2019	$ 3,925
Recognized in other comprehensive income (loss)	(652)
Balance at December 31, 2019	**$ 3,273**
Balance at January 1, 2018	$ 4,254
Recognized in other comprehensive income (loss)	(329)
Balance at December 31, 2018	**$ 3,925**

For the years ended December 31, 2019 and 2018, total gains (losses) that were included in " unrealized gains and losses from financial assets at fair value through other comprehensive income".

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

The Company's financial instruments that use Level 3 inputs to measure fair value mainly include "fair value through other comprehensive income — equity investments".

For the years ended December 31, 2019 and 2018, quantified information of significant unobservable inputs was as follows:

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Items	Valuation techniques	Significant unobservable inputs	Inter- relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income －equity investments without an active markets	Comparable listed company approach	Lack of marketability discount rate (30% on December 31, 2019 and 2018.)	The higher the lack of marketability discount is, the lower the fair value will be.

6) 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:

	Inputs	Increase (decrease)	Fair value change in other comprehensive income Favorable	Unfavorable
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Equity investment without an active market	Marketability discount yield to 30%	10%	$ 468	(468)
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)

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.

(x) 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 identity 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.

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 instructions 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

(Continued)

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, 2019 and 2018, unused credit lines approximated to $2,302,365 and $2,620,008, 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 JPY, and EUR. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

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 measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. 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.

(y) 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.

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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, capital surplus, retained earnings, other equity interest, plus, net debt.

In 2019, 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, 2019 and 2018 was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 1,618,081	1,525,700
Less: cash and cash equivalents	374,733	293,458
Net debt	1,243,348	1,232,242
Total equity	3,677,571	3,626,057
Capital after adjustment	**$ 4,920,919**	**4,858,299**
Debt-to-equity ratio	25.27%	25.36%

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

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

	January 1, 2019	Cash flows	Non-Cash changes Amortized interest	December 31, 2019
Short-term borrowings	$ 336,894	51,506	-	388,400
Short-term notes and bills payable	699,829	94,486	5,411	799,726
Guarantee deposit received (recognized as other payables)	270	810	-	1,080
Total liabilities from financing activities	**$ 1,036,993**	**146,802**	**5,411**	**1,189,206**

	January 1, 2018	Cash flows	Non-cash changes Amortized interest	December 31, 2018
Short-term borrowings	$ 256,000	80,894	-	336,894
Short-term notes and bills payable	1,199,860	(505,980)	5,949	699,829
Guarantee deposit received (recognized as other payables)	94	176	-	270
Total liabilities from financing activities	**$ 1,455,954**	**(424,910)**	**5,949**	**1,036,993**

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(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 39.44% 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:

Name of related party	Relationship with the Company
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:

	2019	2018
Parent company	$ 10,810	7,410

The transition condition for sale to the parent company could not be compared to those of the third-parties' sales. The selling price is based on the international price of relevant copper raw materials plus a certain percentage. 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.

(ii) Purchases

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

	2019	2018
Parent company	$ 44,227	71,500

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.

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(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2019	December 31, 2018
Accounts receivable	Parent company	$ 100	-

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2019	December 31, 2018
Accounts payable	Parent company	$ 5,384	4,667

(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, 2019 and 2018, the management service fees amounted to $19,200, and were included in operating expenses in the statements of comprehensive income. As of December 31, 2019 and 2018, 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, 2019 and 2018, the rental expenses amounted to $240 per year and were included in operating expenses in the statements of comprehensive income. As of December 31, 2019 and 2018, payables from the above transaction had been settled in full.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 5,193	5,514
Post-employment benefits	152	146
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	$ 5,345	5,660

(8) Pledged assets: None.

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Notes to the Financial Statements

(9) Significant commitments and contingencies:

Major commitments and contingencies were as follows:

(i) Unrecognized contingencies of contracts:

	December 31, 2019	December 31, 2018
Acquisition of property, plant and equipment	$ 175,049	8,192

(ii) Unused standby letters of credit:

	December 31, 2019	December 31, 2018
Purchase of material	$ 246,623	117,721

(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	2019			2018		
By item	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary and wages	119,139	11,032	130,171	118,719	10,779	129,498
Labor and health insurance	13,819	1,028	14,847	13,479	968	14,447
Pension	6,114	565	6,679	6,011	544	6,555
Remuneration of directors (Note)	-	1,320	1,320	-	1,090	1,090
Others personnel costs	7,645	2,543	10,188	7,897	2,985	10,882
Depreciation	59,154	-	59,154	69,780	-	69,780
Amortization	-	-	-	9	-	9

Note: As of December 31, 2019 and 2018, the remuneration of directors of the Company is traffic allowance.

The additional information of number of employees and employee benefits in 2019 and 2018 was as follows:

	2019	2018
Number of emplyees	275	274
Number of non-employee directors	5	5
Average employee benefit	$ 600	600
Average employee salary	$ 482	481
Adjustment of average employee salary	0.208%	

(Continued)

FIRST COPPER TECHNOLOGY CO., LTD.
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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 years ended December 31, 2019.

(i) Loans to other parties: None.

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

(iii) Securities held as of December 31, 2019 (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	10,105,441	116,098	0.26 %	116,098	
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	94,902	0.88 %	94,902	
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	2,075,210	32.96 %	2,075,210	
The Company	Global Securities Finance Corporation stock	-	Non-current financial assets at fair value through other comprehensive income	700,837	3,273	0.18 %	3,273	

(Continued)

FIRST COPPER TECHNOLOGY CO., LTD.
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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 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main Businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	share of profits / losses of investee	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying value			
The Company	Hua Ho Engineering Co., Ltd.	Kaohsiung	Cable engineering	165	165	10,000	0.29 %	97	1,295	4	Associates

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

FIRST COPPER TECHNOLOGY CO., LTD.
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 copper. 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 profit before income tax as the measurement and basis of performance evaluation.

(b) Product and service information

Revenue from the external customers of the Company were as follows:

Production		**2019**	**2018**
Copper plate	$	2,256,701	2,828,724
Processing revenue		101,696	113,839
Others		186,546	166,132
Total	**$**	**2,544,943**	**3,108,695**

(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.

Geographic information		**2019**	**2018**
Revenue from external customers:			
Taiwan	$	1,369,525	1,683,731
Mainland China		598,822	766,901
Japan		341,779	354,010
Other countries		234,817	304,053
Total	**$**	**2,544,943**	**3,108,695**

		December 31, 2019	**December 31, 2018**
Non-current assets:			
Taiwan	**$**	**1,171,931**	**1,102,249**

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 comprehensive income in 2019 and 2018.