Stock Code:1608

# HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES

**Consolidated Financial Statements**

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

Address: No. 170, Chung Cheng 4th Road, Kaohsiung, Taiwan, R.O.C.
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the combined financial statements of HUA ENG WIRE & CABLE CO., LTD. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, HUA ENG WIRE & CABLE CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: HUA ENG WIRE & CABLE CO., LTD.
Chairman: Hung-Ming Wang
Date: March 23, 2020

# Independent Auditors' Report

To the Board of Directors HUA ENG WIRE & CABLE CO., LTD.

## Opinion

We have audited the consolidated financial statements of HUA ENG WIRE & CABLE CO., LTD. ("the Company") and subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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:

1. **Valuation of inventory**

   Please refer to Note 4(h) 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 consolidated financial statements.

Description of key audit matter:

   The Group's inventories are wire, cable and 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.

2. **Non-financial asset impairment (Non-goodwill)**

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

Description of key audit matter:

   Since the carrying value of net asset of the Group 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 Group; 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 Group's disclosures of its policy on asset impairment and other related disclosures.

**Other Matter**

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng Lung, Hsu and Po Jen, Yang.

KPMG

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

**Notes to Readers**

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

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

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

## HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

## December 31, 2019 and 2018

## (Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|
| | Assets | Amount | % | Amount | % |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 639,066 | 5 | 668,021 | 6 |
| 1110 | Current financial assets at fair value through profit or loss (note 6(b)) | 939,131 | 8 | 782,708 | 7 |
| 1140 | Current contract assets (note 6(x)) | 117,698 | 1 | 91,347 | 1 |
| 1150 | Notes receivable (note 6(d)) | 25,637 | - | 31,270 | - |
| 1172 | Accounts receivable (note 6(d)) | 888,477 | 7 | 1,040,267 | 9 |
| 1200 | Other receivables (notes 6(d) and (e)) | 12,962 | - | 80,259 | 1 |
| 130X | Inventories (note 6(f)) | 2,715,124 | 22 | 2,701,776 | 24 |
| 1470 | Other current assets (notes 6(n) and (s)) | 41,016 | - | 39,513 | - |
| | **Total current assets** | 5,379,111 | 43 | 5,435,161 | 48 |
| | **Non-current assets:** | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (note 6(b)) | 2,223,185 | 18 | 1,668,934 | 14 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note 6(c)) | 74,895 | 1 | 92,817 | 1 |
| 1550 | Investments accounted for using equity method (note 6(g)) | 12,676 | - | 13,828 | - |
| 1600 | Property, plant and equipment (note 6(j)) | 2,983,585 | 24 | 2,960,133 | 26 |
| 1755 | Right-of-use-assets (note 6(k)) | 346,081 | 3 | - | - |
| 1760 | Investment property, net (note 6(l)) | 1,066,497 | 9 | 1,074,868 | 9 |
| 1840 | Deferred tax assets (note 6(u)) | 138,999 | 1 | 71,049 | 1 |
| 1915 | Prepayments for equipment | 69,006 | 1 | 3,649 | - |
| 1920 | Guarantee deposits paid (note 6(e)) | 418 | - | 326 | - |
| 1985 | Long-term prepaid rents (note 6(s)) | - | - | 90,737 | 1 |
| 1990 | Other non-current assets, others (note 6(n)) | 8,874 | - | 8,874 | - |
| | **Total non-current assets** | 6,924,216 | 57 | 5,985,215 | 52 |
| | **Total assets** | $ 12,303,327 | 100 | 11,420,376 | 100 |

| | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|
| | Liabilities and Equity | Amount | % | Amount | % |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note 6(o)) | $ 1,045,043 | 9 | 934,907 | 8 |
| 2110 | Short-term notes and bills payable (notes 6(o) and (p)) | 1,705,938 | 14 | 1,599,565 | 14 |
| 2130 | Current contract liabilities (note 6(x)) | 35,175 | - | 83,634 | 1 |
| 2150 | Notes payable (notes 6(t) and 7) | 11,264 | - | 16,952 | - |
| 2170 | Accounts payable | 342,301 | 3 | 422,259 | 4 |
| 2180 | Accounts payable to related parties (note 7) | 105 | - | 495 | - |
| 2200 | Other payables (note 6(t)) | 158,861 | 1 | 148,020 | 1 |
| 2230 | Current tax liabilities | - | - | 18,391 | - |
| 2280 | Current lease liabilities (note 6(r)) | 15,796 | - | - | - |
| 2300 | Other current liabilities (notes 6(q) and (x)) | 14,262 | - | 15,879 | - |
| | **Total current liabilities** | 3,328,745 | 27 | 3,240,102 | 28 |
| | **Non-Current liabilities:** | | | | |
| 2570 | Deferred tax liabilities (note 6(u)) | 786,866 | 7 | 787,401 | 7 |
| 2580 | Non-current lease liabilities (note 6(r)) | 247,052 | 2 | - | - |
| 2640 | Non-current net defined benefit liabilities (note 6(t)) | 27,171 | - | 102,832 | 1 |
| 2645 | Guarantee deposits received | 3,606 | - | 2,726 | - |
| | **Total non-current liabilities** | 1,064,695 | 9 | 892,959 | 8 |
| | **Total liabilities** | 4,393,440 | 36 | 4,133,061 | 36 |
| | **Equity attributable to owners of parent (notes 6(h) and (v)):** | | | | |
| 3110 | Ordinary share | 6,327,735 | 51 | 6,327,735 | 55 |
| 3200 | Capital surplus | 3,463 | - | 254,959 | 2 |
| 3300 | Retained earnings: | | | | |
| 3310 | Legal reserve | - | - | 93,079 | 1 |
| 3320 | Special reserve | 873,871 | 7 | 873,871 | 8 |
| 3350 | Unappropriated retained earnings (deficit yet to be compensated) | 649,975 | 5 | (483,968) | (4) |
| | | 1,523,846 | 12 | 482,982 | 5 |
| 3400 | Other equity | (44,801) | - | (27,279) | - |
| 3500 | Treasury shares | (968,671) | (8) | (912,919) | (8) |
| | **Total equity attributable to owners of parent:** | 6,841,572 | 55 | 6,125,478 | 54 |
| 36XX | **Non-controlling interests (notes 6(h) and (i))** | 1,068,315 | 9 | 1,161,837 | 10 |
| | **Total equity** | 7,909,887 | 64 | 7,287,315 | 64 |
| | **Total liabilities and equity** | $ 12,303,327 | 100 | 11,420,376 | 100 |

See accompanying notes to financial statements.

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

# HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES

## Consolidated 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 Amount | 2019 % | 2018 Amount | 2018 % |
|---|---|---|---|---|---|
| 4100 | **Operating revenues (notes 6(x))** | $ 7,832,617 | 100 | 8,560,093 | 100 |
| 5000 | **Operating costs (notes 6(f), (s), (t), (y), 7 and 12)** | 7,734,558 | 99 | 8,233,135 | 96 |
| 5900 | **Gross profit** | 98,059 | 1 | 326,958 | 4 |
| 6000 | **Operating expenses (notes 6(t), (y), 7 and 12)** | 174,637 | 2 | 169,898 | 2 |
| 6900 | **Net operating income (loss)** | (76,578) | (1) | 157,060 | 2 |
| 7000 | **Non-operating income and expenses (notes 6(g), (q), (s), (z) and 7):** | | | | |
| 7010 | Other income | 125,531 | 1 | 228,133 | 3 |
| 7020 | Other gains and losses, net | 637,850 | 8 | (915,524) | (11) |
| 7050 | Finance costs | (21,827) | - | (15,985) | - |
| 7060 | Share of profit (loss) of associates and joint ventures accounted for using equity method, net | (1,152) | - | 65 | - |
| | | 740,402 | 9 | (703,311) | (8) |
| 7900 | **Profit (loss) before income tax** | 663,824 | 8 | (546,251) | (6) |
| 7950 | Less: Income tax expenses (benefit) (note 6(u)) | (68,595) | (1) | 14,398 | - |
| 8200 | **Profit (loss)** | 732,419 | 9 | (560,649) | (6) |
| 8300 | **Other comprehensive income (loss):** | | | | |
| 8310 | **Items that may not be reclassified subsequently to profit or loss:** | | | | |
| 8311 | Remeasurements of defined benefit plans (note 6(t)) | (9,662) | - | (17,203) | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (17,922) | - | (3,386) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(u)) | - | - | - | - |
| 8300 | **Other comprehensive income (after tax)** | (27,584) | - | (20,589) | - |
| 8500 | **Comprehensive income** | **$ 704,835** | **9** | **(581,238)** | **(6)** |
| | **Profit (loss) attributable to:** | | | | |
| 8610 | Owners of parent | $ 792,653 | 10 | (617,703) | (7) |
| 8620 | Non-controlling interests (note 6(i)) | (60,234) | (1) | 57,054 | 1 |
| | | **$ 732,419** | **9** | **(560,649)** | **(6)** |
| | **Comprehensive income (loss) attributable to:** | | | | |
| 8710 | Owners of parent | $ 768,383 | 10 | (635,946) | (7) |
| 8720 | Non-controlling interests (note 6(i)) | (63,548) | (1) | 54,708 | 1 |
| | | **$ 704,835** | **9** | **(581,238)** | **(6)** |
| | **Earnings per share (note 6(w)):** | | | | |
| 9750 | **Basic earnings per share (in New Taiwan Dollars)** | **$** | **1.87** | | **(1.46)** |
| 9850 | **Diluted earnings per share (in New Taiwan Dollars)** | **$** | **1.86** | | **(1.46)** |

See accompanying notes to financial statements.

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

# HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

## For the years ended December 31, 2019 and 2018

## (Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | Other equity | | | | | |
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings (deficit yet to compensated) | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unrealized gains (losses) on available-for-sale financial assets | Treasury shares | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| **Balance at January 1, 2018** | **$ 6,327,735** | **194,806** | **49,122** | **947,629** | **433,232** | **-** | **123,591** | **(852,003)** | **7,224,112** | **1,139,850** | **8,363,962** |
| Effects of retrospective application | - | - | - | - | 147,359 | (23,768) | (123,591) | - | - | - | - |
| Balance at January 1, 2018 after adjustments | 6,327,735 | 194,806 | 49,122 | 947,629 | 580,591 | (23,768) | - | (852,003) | 7,224,112 | 1,139,850 | 8,363,962 |
| Profit (loss) for the year ended December 31,2018 | - | - | - | - | (617,703) | - | - | - | (617,703) | 57,054 | (560,649) |
| Other comprehensive income for the year ended December 31, 2018 | - | - | - | - | (15,070) | (3,173) | - | - | (18,243) | (2,346) | (20,589) |
| Total comprehensive income for the year ended December 31, 2018 | - | - | - | - | (632,773) | (3,173) | - | - | (635,946) | 54,708 | (581,238) |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 43,957 | - | (43,957) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (461,925) | - | - | - | (461,925) | - | (461,925) |
| Reversal of special reserve | - | - | - | (73,758) | 73,758 | - | - | - | - | - | - |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | - | 52,816 | - | - | - | - | - | - | 52,816 | - | 52,816 |
| Difference between consideration and carrying amount of subsidiaries acquired | - | 7,337 | - | - | - | - | - | (60,916) | (53,579) | (32,721) | (86,300) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 338 | (338) | - | - | - | - | - |
| **Balance at December 31, 2018** | **6,327,735** | **254,959** | **93,079** | **873,871** | **(483,968)** | **(27,279)** | **-** | **(912,919)** | **6,125,478** | **1,161,837** | **7,287,315** |
| Profit (loss) for the year ended December 31,2019 | - | - | - | - | 792,653 | - | - | - | 792,653 | (60,234) | 732,419 |
| Other comprehensive income for the year ended December 31, 2019 | - | - | - | - | (6,748) | (17,522) | - | - | (24,270) | (3,314) | (27,584) |
| Total comprehensive income for the year ended December 31,2019 | - | - | - | - | 785,905 | (17,522) | - | - | 768,383 | (63,548) | 704,835 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve used to offset accumulated deficit | - | - | (93,079) | - | 93,079 | - | - | - | - | - | - |
| Capital surplus used to offset accumulated deficit | - | (254,959) | - | - | 254,959 | - | - | - | - | - | - |
| Difference between consideration and carrying amount of subsidiaries acquired | - | 3,463 | - | - | - | - | - | (55,752) | (52,289) | (29,974) | (82,263) |
| **Balance at December 31, 2019** | **$ 6,327,735** | **3,463** | **-** | **873,871** | **649,975** | **(44,801)** | **-** | **(968,671)** | **6,841,572** | **1,068,315** | **7,909,887** |

See accompanying notes to financial statements.

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

# HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

## For the years ended December 31, 2019 and 2018

## (Expressed in Thousands of New Taiwan Dollars)

| | 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Profit (loss) before tax** | $ 663,824 | (546,251) |
| **Adjustments:** | | |
| **Adjustments to reconcile profit (loss):** | | |
| Depreciation expense | 162,376 | 148,244 |
| Amortization expense | - | 30 |
| Net loss (gain) on financial assets at fair value through profit or loss | (650,799) | 898,824 |
| Interest expense | 21,827 | 15,985 |
| Interest income | (149) | (174) |
| Dividend income | (81,133) | (190,360) |
| Share of loss (profit) of associates and joint ventures accounted for using equity method | 1,152 | (65) |
| Loss (gain) on disposal of property, plant and equipment | 730 | (771) |
| Long-term prepaid rents | - | 5,731 |
| Provision increase (reversal) | (4,110) | 4,742 |
| **Total adjustments to reconcile profit (loss)** | (550,106) | 882,186 |
| **Changes in operating assets and liabilities:** | | |
| **Net changes in operating assets:** | | |
| Increase in contract assets | (26,351) | (27,944) |
| Decrease (increase) in notes receivable | 5,633 | (8,959) |
| Decrease in accounts receivable | 151,790 | 191,285 |
| Decrease in accounts receivable due from related parties | - | 10 |
| Decrease (increase) in other receivables | (1,423) | 12,073 |
| Decrease (increase) in inventories | (13,348) | 631,479 |
| Decrease (increase) in other current assets | (1,503) | 110,567 |
| **Total net changes in operating assets** | 114,798 | 908,511 |
| **Net changes in operating liabilities:** | | |
| Decrease in contract liabilities | (48,459) | (60,589) |
| Decrease in notes payable | (5,688) | (5,126) |
| Increase (decrease) in accounts payable | (79,958) | 63,898 |
| Increase (decrease) in accounts payable to related parties | (390) | 390 |
| Increase (decrease) in other payable | 14,871 | (44,698) |
| Increase (decrease) in other current liabilities | 2,493 | (591) |
| Decrease in net defined benefit liabilities | (85,323) | (37,344) |
| **Total net changes in operating liabilities** | (202,454) | (84,060) |
| **Total net changes in operating assets and liabilities** | (87,656) | 824,451 |
| **Total adjustments** | (637,762) | 1,706,637 |
| Cash inflow generated from operations | 26,062 | 1,160,386 |
| Interest received | 149 | 178 |
| Dividends received | 81,181 | 190,312 |
| Interest paid | (9,517) | (5,488) |
| Income taxes paid | (18,281) | (33,284) |
| **Net cash flows from operating activities** | 79,594 | 1,312,104 |
| **Cash flows used in investing activities:** | | |
| Acquisition of financial assets at fair value through profit or loss | (59,875) | (74,877) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | - | 2,400 |
| Acquisition of property, plant and equipment | (155,002) | (123,097) |
| Proceeds from disposal of property, plant and equipment | 236 | 771 |
| Acquisition of investment property | (150) | (979) |
| Increase in prepayments for equipment | (65,357) | (3,649) |
| Decrease (increase) in guarantee deposits paid | 68,580 | (67,186) |
| **Net cash flows used in investing activities** | (211,568) | (266,617) |
| **Cash flows from (used in) financing activities:** | | |
| Increase (decrease) in short-term borrowings | 110,136 | (164,639) |
| Increase (decrease) in short-term notes and bills payable | 94,078 | (110,856) |
| Increase (decrease) in guarantee deposits received | 1,621 | (1,811) |
| Payment of lease liabilities | (15,568) | - |
| Cash dividends paid | - | (409,109) |
| Acquisition of ownership interests of subsidiaries | (87,248) | (81,315) |
| **Net cash flows from (used in) financing activities** | 103,019 | (767,730) |
| **Net increase (decrease) in cash and cash equivalents** | (28,955) | 277,757 |
| **Cash and cash equivalents at beginning of period** | 668,021 | 390,264 |
| **Cash and cash equivalents at end of period** | $ **639,066** | **668,021** |

See accompanying notes to financial statements.

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

**(1) Company history:**

Hua Eng Wire & Cable Co., Ltd. ("the Company") was incorporated on December 8, 1956, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 170, Chung Cheng 4th Road, Kaohsiung, Taiwan R.O.C. The Company and subsidiaries (together referred to as the "Group") is engaged in the processing, manufacture, sale and construction of wire, cable and copper products.

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

The consolidated 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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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 Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below.

1) Definition of a lease

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

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

2) As a lessee

As a lessee, the Group 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 Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of office space and leases of equipment.

● Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

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

  — Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

  — Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

  — Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group 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 Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

(Continued)

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $278,416 thousands of right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.4651%. In addition, the Group reclassified the land usage that included in long-term prepaid rents to right- of- use assets amounting to $90,737 thousand with IFRS 16 from the date of initial application.

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

| | January 1, 2019 |
|---|---|
| Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements | $ 309,808 |
| Discounted using the incremental borrowing rate at January 1, 2019 (same as lease liabilities recognized) | $ 278,416 |

(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 Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

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

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

(Continued)

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

## (4) Summary of significant accounting policies:

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

(a) Statement of compliance

These consolidated 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 Financial Supervisory Commission, ROC.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated 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(q).

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand, unless otherwise noted.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

(Continued)

**HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

| | | | Shareholding | | |
|---|---|---|---|---|---|
| **Name of Investor** | **Name of Subsidiary** | **Business Activity** | **December 31, 2019** | **December 31, 2018** | **Description** |
| The Company | First Copper Technology Co., Ltd. | Processing, manufacture and sale of copper wire and copper plate | 39.44 % | 37.17 % | The Company accounted for 3 of the 7 directors of First copper Technology Co., Ltd, who can, directly or indirectly, control its personnel, finance or business activities. (Note1) |
| The Company | Hua Ho Engineering Co., Ltd. | Design, bidding and construction of general electrical engineering and communication engineering | 49.31 % | 49.31 % | The Company accounted for 2 of the 4 directors of Hua Ho Engineering Co., Ltd, who can, directly or indirectly, control its personnel, finance or business activities. (Note2) |
| First Copper Technology Co., Ltd. | Hua Ho Engineering Co., Ltd. | Design, bidding and construction of general electrical engineering and communication engineering | 0.29 % | 0.29 % | (Note 2) |

Note 1: Significant subsidiary.

Note 2: Non-significant subsidiary.

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

(d) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Group 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.

(Continued)

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.

(e) 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 its 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 the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and 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.

(g) 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 Group 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 Group 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.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, 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 Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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

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

Dividend income is recognized in profit or loss on the date on which the Group’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 Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Business model assessment

The Group 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 Group’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 Group’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 Group 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 Group 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 Group’s claim to cash flows from specified assets (e.g. non-recourse features).

6) Impairment of financial assets

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL：

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank deposit for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

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

(Continued)

The Group considers its financial instrument to have low credit risk when it is in low default risk, and 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 Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL 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 ECL is the maximum contractual period over which the Group is exposed to credit risk.

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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；
- 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 charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

(Continued)

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

7) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheets, 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 Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreements 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) Treasury shares

The consolidated subsidiary holds the shares of the Company when preparing the consolidated financial report, it is treated as treasury stock processing.

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

(Continued)

4) 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.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expire. The Group 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.

6) 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 Group 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.

(h) 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.

(i) Investment in associates

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

(Continued)

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

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

When the Group’s share of losses of an associate equals or exceeds its 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 Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) 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 depreciation method,useful lives,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.

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(Continued)

(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 | 1 to 55 years |
| 2) | Machinery and equipment | 1 to 25 years |
| 3) | Other equipment | 1 to 20 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.

(l) Lease

Applicable from January 1, 2019

(i) Identifying a lease

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

— 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:

(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:

(Continued)

- 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 Group allocates the consideration in the contract to each lease components on the basis of their relative stand-alone price.

(ii) As a lessee

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

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

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

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

— 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 Group'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

(Continued)

－ there are a change of its assessment on whether it will exercise an 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 Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

The Group has elected not recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

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

The Group 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.

(Continued)

(ii) Lessee

Leases in which the Group 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 Group's balance sheets.

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

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

(m) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group 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 two or three 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.

(n) Impairment of non-financial assets

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

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.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.
Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(o) Provisions

A provision is recognized if, as a result of a past event, the Group 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.

Provision for onerous contracts

The provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expects net cost of continuing with the contract. Before a provision is established. the Group recognizes any impairment loss on the assets associated with that contract.

(p) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

The Group recognizes revenue when control of the products has 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 provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(Continued)

The Group grants its customers the right to return the product within a period. Therefore, the Group 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 Group 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 Group has a right to an amount of consideration that is unconditional.

2) Construction contracts

The Group enters into contracts to constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule, for some variable considerations, accumulated experience is used to estimate the amount of variable consideration, using the expected value method; for other variable considerations, the Group estimates the amount of variable consideration using the most likely amount. The Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Group 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 Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining

(Continued)

a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group 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 Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

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

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

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

(Continued)

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

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

(iii) Short-term employee benefits

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

(r) Income taxes

Income tax 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.

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 Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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

Deferred taxes are 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 Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

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

1) the same taxable entity; or

2) different taxable entities which 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.

(s) Earnings per share

The Group 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.

(t) Operating segments

An operating segment is a component of the Group 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 Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and 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 consolidated 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 Group'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 Group 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(j) for evaluation for impairment of non-financial assets.

The Group'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 or a liability, the Group 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 | $ | 599 | 505 |
| Checking deposits and demand deposits | | 638,467 | 667,516 |
| Cash and cash equivalents in the consolidated statement of cash flows | **$** | **639,066** | **668,021** |

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

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(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 | $ | 2,869,663 | 2,241,674 |
| Non-publicly traded stocks | | 292,653 | 209,968 |
| | $ | **3,162,316** | **2,451,642** |
| Classified as： | | | |
| Current | $ | 939,131 | 782,708 |
| Non-current | | 2,223,185 | 1,668,934 |
| | $ | **3,162,316** | **2,451,642** |

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

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

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

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Equity investments at fair value through other comprehensive income： | | | |
| Non-publicly traded stocks - International United Technology Co., Ltd. | $ | 6,368 | 9,107 |
| Non-publicly traded stocks - Pack & Proper Co., Ltd. | | 19,040 | 31,914 |
| Non-publicly traded stocks - Global Securities Finance Corporation | | 13,092 | 15,741 |
| Non-publicly traded stocks - United Electronics Industrial Co., Ltd. | | 9,403 | 8,307 |
| Non-publicly traded stocks - Taiwan Sugar Corporation | | 26,692 | 27,448 |
| Non-publicly traded stocks - Illchi United Trading Corporation | | 300 | 300 |
| | $ | **74,895** | **92,817** |

The Group designated its investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

During the years ended December 31, 2019 and 2018, the dividends of $2,534 thousand and $1,739 thousand, respectively, related to equity investments as fair value through other comprehensive income held on the years then ended, were recognized.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments in 2019.

The Group has sold its shares held in Company Sai Jia Capital Corporation stock and Saga Unitek Venture Capital Management Corporation stock. The shares sold had a fair value of $2,400 thousand and the Group realized a gain of $338 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

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

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

(d) Notes and accounts receivable

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Notes receivable from operating activities | $ 25,637 | 31,270 |
| Accounts receivable-measured at amortized cost | 883,958 | 1,030,534 |
| Accounts receivable-measured at fair value through other comprehensive income | 4,519 | 9,733 |
| Less: Loss allowance | - | - |
| | $ 914,114 | 1,071,537 |

The Group 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.

The Group 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 amounts of notes and accounts receivable | Weighted-average loss rate | Loss allowance provision |
| Non-overdue | $ 914,114 | - | - |
| Overdue | - | - | - |
| | $ 914,114 | | - |

| | 107.12.31 | | |
|---|---|---|---|
| | Gross carrying amounts of notes and accounts receivable | Weighted-average loss rate | Loss allowance provision |
| Non-overdue | $ 1,071,537 | - | - |
| Overdue | - | - | - |
| | $ 1,071,537 | | - |

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

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

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

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

The Group 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 Group 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 receivable upon the derecognition of those accounts receivable. The Group 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 | | |

| December 31,2018 | | | | | | |
|---|---|---|---|---|---|---|
| | | Amount advanced | | | | |
| Purchaser | Amount derecognized | 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 (including guarantee deposits paid)

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Other receivables-the difference purchasing price of materials | $ 2,368 | 2,853 |
| Other receivables-factoring accounts receivable | 9,155 | 8,139 |
| Guarantee deposits paid | 639 | 69,219 |
| Others | 1,218 | 374 |
| Less: Loss allowance | - | - |
| | $ 13,380 | 80,585 |

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| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Classified as: | | | |
| Other receivables | $ | 12,962 | 80,259 |
| Guarantee deposits paid | | 418 | 326 |
| | $ | 13,380 | 80,585 |

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

(f) Inventories

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Finished goods | $ | 796,077 | 872,304 |
| Work in progress | | 965,428 | 876,525 |
| Raw materials and supplies | | 613,690 | 783,024 |
| Merchandise | | 56,669 | 44,421 |
| Inventory in transit | | 283,260 | 125,502 |
| | $ | 2,715,124 | 2,701,776 |

The details of the cost sales were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Inventory that has been sold | $ | 7,216,366 | 7,896,553 |
| Write-down of inventories (reversal of write-down) | | (3,144) | 34,523 |
| Unallocated production overheads | | 117,986 | 100,988 |
| Construction cost | | 408,937 | 206,484 |
| Others | | (5,587) | (5,413) |
| | $ | 7,734,558 | 8,233,135 |

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

(g) Investments accounted for using equity method

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

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Associates | $ | 12,676 | 13,828 |

(ii) The Group'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 | $ | 12,676 | 13,828 |

| | | 2019 | 2018 |
|---|---|---|---|
| Attributable to the Group: | | | |
| Profit (loss) from continuing operations | $ | (1,152) | 65 |
| Other comprehensive income | | - | - |
| Total comprehensive income | **$** | **(1,152)** | **65** |

(iii) Collateral

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

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

In 2019, the Group acquired an additional interest in First Copper Technology Co., Ltd. for $82,263 in cash increasing its ownership from 37.17% to 39.44%.

In 2018, the Group acquired an additional interest in First Copper Technology Co., Ltd. for $86,300 in cash increasing its ownership from 34.69% to 37.17%.

The effects of the changes in shareholdings were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Carrying amount of non-controlling interest on acquisition | $ | 85,726 | 93,637 |
| Consideration paid to non-controlling interests | | (82,263) | (86,300) |
| Capital surplus differences between consideration and carrying amounts subsidiaries acquired | **$** | **3,463** | **7,337** |

(i) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

| | | Percentage of non-controlling interests | |
|---|---|---|---|
| **Subsidiaries** | **Main operation place** | **December 31, 2019** | **December 31, 2018** |
| First Copper Technology Co., Ltd. | Taiwan | 60.56 % | 62.83 % |
| Hua Ho Engineering Co., Ltd. | Taiwan | 50.58 % | 50.59 % |

The following information of the aforementioned subsidiaries have been prepared in accordance with the regulations governing the preparation of financial reports by securities issuers. Included in this information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

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(i) First Copper Technology Co., Ltd.'s collective financial information:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current assets | $ 1,990,131 | 2,071,640 |
| Non-current assets | 3,305,521 | 3,080,117 |
| Current liabilities | (1,345,106) | (1,242,361) |
| Non-current liabilities | (272,975) | (283,339) |
| Net assets | $ **3,677,571** | **3,626,057** |
| Non-controlling interests | $ **1,051,448** | **1,145,686** |

| | 2019 | 2018 |
|---|---|---|
| Operating revenues | $ **2,544,943** | **3,108,695** |
| Profit (loss) | $ (99,342) | 85,258 |
| Other comprehensive income | 150,856 | (535,425) |
| Comprehensive income | $ **51,514** | **(450,167)** |
| Profit (loss), attributable to non-controlling interests | $ **(60,887)** | **55,213** |
| Comprehensive income, attributable to non-controlling interests | $ **(64,263)** | **52,953** |
| Net cash flows from operating activities | $ 66,692 | 555,350 |
| Net cash flows from investing activities | (132,219) | (31,611) |
| Net cash flows from financing activities | 146,802 | (424,910) |
| Net increase in cash and cash equivalents | $ **81,275** | **98,829** |
| Paid cash dividends of non-controlling interest | $ **-** | **-** |

(ii) Hua Ho Engineering Co., Ltd.'s collective financial information

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Current assets | $ 56,895 | 40,750 |
| Non-current assets | 3,043 | 1,609 |
| Current liabilities | (25,027) | (8,669) |
| Non-current liabilities | (1,446) | (1,643) |
| Net assets | $ **33,465** | **32,047** |
| Non-controlling interests | $ **16,867** | **16,151** |

| | 2019 | 2018 |
|---|---|---|
| Operating revenues | $ **45,520** | **37,606** |
| Profit | $ 1,295 | 3,650 |
| Other comprehensive income | 123 | (171) |
| Comprehensive income | $ **1,418** | **3,479** |
| Profit, attributable to non-controlling interests | $ **653** | **1,841** |
| Comprehensive income, attributable to non-controlling interests | $ **715** | **1,755** |

(Continued)

**HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | | 2019 | 2018 |
|---|---|---|---|
| Net cash flows from operating activities | $ | (2,429) | (6,280) |
| Net cash flows from investing activities | | (2,001) | 97 |
| Net cash flows from financing activities | | 6,456 | - |
| Net increase (decrease) in cash and cash equivalents | $ | **2,026** | **(6,183)** |
| Paid cash dividends of non-controlling interest | $ | - | - |

(j) Property, plant and equipment

The Cost, depreciation, and impairment of the property, plant and equipment of the Group 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 | $ | 2,056,148 | 1,396,473 | 5,968,829 | 127,130 | 199,483 | 9,748,063 |
| Additions | | - | 18,612 | 82,952 | 8,100 | 45,537 | 155,201 |
| Reclassifications | | - | 3,804 | 14,292 | 92 | (18,188) | - |
| Disposals | | - | (3,145) | (22,296) | (4,129) | - | (29,570) |
| Balance at December 31, 2019 | $ | **2,056,148** | **1,415,744** | **6,043,777** | **131,193** | **226,832** | **9,873,694** |
| Balance at January 1, 2018 | $ | 2,076,866 | 1,382,062 | 6,094,069 | 125,850 | 167,247 | 9,846,094 |
| Additions | | - | 11,813 | 45,206 | 1,986 | 64,092 | 123,097 |
| Reclassifications | | - | 13,029 | 17,612 | 1,215 | (31,856) | - |
| Reclassified to investment property | | (20,718) | (10,431) | - | - | - | (31,149) |
| Disposals | | - | - | (188,058) | (1,921) | - | (189,979) |
| Balance at December 31, 2018 | $ | **2,056,148** | **1,396,473** | **5,968,829** | **127,130** | **199,483** | **9,748,063** |
| Depreciation and impairment loss: | | | | | | | |
| Balance at January 1, 2019 | $ | - | 1,111,886 | 5,557,901 | 118,143 | - | 6,787,930 |
| Depreciation | | - | 34,394 | 92,907 | 3,482 | - | 130,783 |
| Disposals | | - | (2,203) | (22,272) | (4,129) | - | (28,604) |
| Balance at December 31, 2019 | $ | **-** | **1,144,077** | **5,628,536** | **117,496** | **-** | **6,890,109** |
| Balance at January 1, 2018 | $ | - | 1,089,245 | 5,641,331 | 117,119 | - | 6,847,695 |
| Depreciation | | - | 32,413 | 104,628 | 2,945 | - | 139,986 |
| Reclassified to investment property | | - | (9,772) | - | - | - | (9,772) |
| Disposals | | - | - | (188,058) | (1,921) | - | (189,979) |
| Balance at December 31, 2018 | $ | **-** | **1,111,886** | **5,557,901** | **118,143** | **-** | **6,787,930** |
| Carrying amounts: | | | | | | | |
| Balance at December 31, 2019 | $ | **2,056,148** | **271,667** | **415,241** | **13,697** | **226,832** | **2,983,585** |
| Balance at December 31, 2018 | $ | **2,056,148** | **284,587** | **410,928** | **8,987** | **199,483** | **2,960,133** |

(i) Impairment assessment:

The Group test 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.

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(ii) Collateral:

The property, plant and equipment of the Group 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(z).

(k) Right- of- use assets

Information about leases land for which the Group as a lessee was presented below:

| | Land |
|---|---|
| **Cost:** | |
| Balance at January 1, 2019 | $ 369,153 |
| Balance at December 31, 2019 | **$ 369,153** |
| **Accumulated depreciation:** | |
| Balance at January 1, 2019 | $ - |
| Depreciation for the year | 23,072 |
| Balance at December 31, 2019 | **$ 23,072** |
| Carrying amount: | |
| Balance at December 31, 2019 | **$ 346,081** |

The Group leases land under an operating lease in 2018, please refer to note 6(s).

(l) 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 | $ 935,375 | 261,567 | 1,196,942 |
| Additions | - | 150 | 150 |
| Balance at December 31, 2019 | **$ 935,375** | **261,717** | **1,197,092** |
| Balance at January 1, 2018 | $ 914,657 | 250,157 | 1,164,814 |
| Additions | - | 979 | 979 |
| Reclassified from property, plant and equipment | 20,718 | 10,431 | 31,149 |
| Balance at December 31, 2018 | **$ 935,375** | **261,567** | **1,196,942** |
| Depreciation and impairment loss: | | | |
| Balance at January 1, 2019 | $ - | 122,074 | 122,074 |
| Depreciation | - | 8,521 | 8,521 |
| Balance at December 31, 2019 | **$ -** | **130,595** | **130,595** |

(Continued)

| | Owned property | | |
|---|---|---|---|
| | **Land and improvements** | **Building and other** | **Total** |
| Balance at January 1, 2018 | $ - | 104,044 | 104,044 |
| Depreciation | - | 8,258 | 8,258 |
| Reclassified from property, plant and equipment | - | 9,772 | 9,772 |
| Balance at December 31, 2018 | **$ -** | **122,074** | **122,074** |
| Carrying amount: | | | |
| Balance at December 31, 2019 | **$ 935,375** | **131,122** | **1,066,497** |
| Balance at December 31, 2018 | **$ 935,375** | **139,493** | **$ 1,074,868** |
| Fair value: | | | |
| Balance at December 31, 2019 | | | **$ 1,719,703** |
| Balance at December 31, 2018 | | | **$ 1,663,388** |

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

As of December 31, 2019 and 2018, the fair value of the investment property was based on comparative method and cost method by the Group. The recurring fair value measurement for the investment property based on the inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

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

(m) Intangible assets

Intangible assets of the Group are computer software. The cost and amortization of the intangible assets were as follows:

| | **2019** | **2018** |
|---|---|---|
| Cost: | | |
| Balance at January 1 | $ - | 179 |
| Disposals | - | (179) |
| Balance at December 31 | **$ -** | **-** |
| Amortization: | | |
| Balance at January 1 | $ - | 149 |
| Amortization | - | 30 |
| Disposals | - | (179) |
| Balance at December 31 | **$ -** | **-** |

| | 2019 | 2018 |
|---|---|---|
| Carrying amounts: | | |
| Balance at January 1 | $ - | 30 |
| Balance at December 31 | $ - | - |

(n) Other current assets and other non-current assets

The other current assets and other non-current assets of the Group were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Prepaid expenses | $ 4,558 | 4,404 |
| Prepaid raw materials and construction | 12,388 | 11,875 |
| Excess business tax paid and refundable tax | 18,386 | 10,606 |
| Right to the returned goods | 5,030 | 4,337 |
| Others | 9,528 | 17,165 |
| | **$ 49,890** | **48,387** |
| Current | $ 41,016 | 39,513 |
| Non-current | 8,874 | 8,874 |
| | **$ 49,890** | **48,387** |

(o) Short-term borrowings

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Letters of credit | $ 232,043 | 80,907 |
| Unsecured loans | 813,000 | 854,000 |
| Total | **$ 1,045,043** | **934,907** |
| Unused credit lines | **$ 4,341,399** | **6,085,971** |
| Range of interest rates | **0.55%～2.69%** | **1.00%～3.91%** |

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

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

(p) Short-term notes and bills payable

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Commercial paper payable | **$ 1,705,938** | **1,599,565** |
| Range of interest rates | **0.988%～1.238%** | **0.938%～0.998%** |

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

(Continued)

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

(q) Other current liabilities

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

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Advance receipts | $ | 3,470 | 2,830 |
| Provision of onerous contracts | | 1,780 | 5,890 |
| Refund liabilities | | 6,693 | 5,942 |
| Others | | 2,319 | 1,217 |
| | $ | **14,262** | **15,879** |

The movement of provisions were as follows:

| | | Onerous contracts |
|---|---|---|
| Balance at January 1, 2019 | $ | 5,890 |
| Provisions used and reversed during the year | | (5,879) |
| Provisions made during the year | | 1,769 |
| Balance at December 31, 2019 | $ | **1,780** |
| Balance at January 1, 2018 | $ | 1,148 |
| Provisions used and reversed during the year | | (1,333) |
| Provisions made during the year | | 6,075 |
| Balance at December 31, 2018 | $ | **5,890** |

The movement of provisions of onerous contracts were included in other gains or losses of non-operating income and expense in the consolidated statements of comprehensive income.

(r) Lease liabilities

The carrying amounts of lease liabilities of the Group was as follows:

| | | December 31, 2019 |
|---|---|---|
| Current | $ | **15,796** |
| Non-current | $ | **274,052** |

For the maturity analysis, please refer to note 6(aa) Financial instruments.

The amounts recognized in profit or loss was as follows:

| | | 2019 |
|---|---|---|
| Interest on lease liabilities | $ | 3,795 |
| Expenses relating to short-term leases | $ | 2,143 |

The amounts recognized in the statement of cash flows for the Group was as follows:

| | | 2019 |
|---|---|---|
| Total cash outflow for leases | $ | 21,519 |

(i) Real estate leases

As of December 31, 2019, the Group leases land from Taiwan Sugar Corporation for its plant. The leases of plant typically run for a period of 40 years.

Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Leases provide for additional rent payments that are based on changes in declared land price.

(ii) Other leases

The Group also leases some office space and equipment. These leases are short-term with a lease term of less than one year. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

For the details on the operating leases of the Group on December 31, 2018, please refer to note 6(s).

(s) Operating lease

(i) Leases as lessee

The Group signed a leasehold agreement and superficies contract with Taiwan Sugar Co., Ltd. for the building of its optical fiber plant. The land is located at Shande section, Renwu district, Kaohsiung City.

1) The agreement covers a period of fifty years from November 16, 1994, through October 31, 2044.

2) The leasehold is limited to the manufacture of optical fiber, wire and cable.

3) The annual payment of the rental expense is based on the declared value of the leasehold land multiplied by an annual interest rate of 10%.

4) The prepayment for the first twenty years' land usage fee was four times the value of the first year's rental expense.

In 2018, the rental expense, amounting to $5,731, was included in operating costs in the consolidated statements of comprehensive income. As of December 31, 2018 the unamortized land usage fees of $90,737 was included in long-term prepaid rents in the consolidated balance sheets.

(Continued)

The rental expenses of $12,514 in 2018, was included in operating costs in the consolidated statements of comprehensive income. As of December 31, 2018, the prepaid rental expenses of $592, was included in other current assets in the consolidated balance sheets.

(ii) Leases as lessor

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

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

| | | December 31, 2019 |
|---|---|---|
| Less than one year | $ | 36,702 |
| One to two years | | 23,422 |
| Two to two years | | 6,670 |
| Three to two years | | 1,401 |
| Total undiscounted lease payments | **$** | **68,195** |

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

| | | December 31, 2018 |
|---|---|---|
| Less than one year | $ | 26,542 |
| Between one and five years | | 40,776 |
| | **$** | **67,318** |

In 2019 and 2018, the rental income for investment property amounting to $36,899 and $25,517, respectively, is included in other income in the consolidated statements of comprehensive income.

The direct expenses including repairs and maintenance arising from income-generating investment property amounting to $5,399 and $5,659 in 2019 and 2018, respectively, are included in other gains and losses in the consolidated statements of comprehensive income.

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(t) 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 | $ | 466,894 | 459,171 |
| Fair value of plan assets | | (439,723) | (356,339) |
| Net defined benefit liabilities | **$** | **27,171** | **102,832** |

The Group 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 Group 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 Group's pension reserve accounts for labor and managers in Bank of Taiwan amounted to $439,723 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.

2) Movements in present value of the defined benefit obligations

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

| | | 2019 | 2018 |
|---|---|---|---|
| Defined benefit obligations at January 1 | $ | 459,171 | 445,652 |
| Current service costs and interest | | 7,672 | 9,211 |
| Remeasurement of the net defined benefit liabilities : | | | |
| –Actuarial loss (gain) arising from change in financial assumptions | | 6,725 | 9,810 |
| –Actuarial loss (gain) arising from change in demographic assumptions | | (214) | - |
| –Actuarial loss (gain) arising from experience adjustments | | 15,484 | 16,117 |
| Benefits paid by the plan | | (21,944) | (21,619) |
| Defined benefit obligations at December 31 | **$** | **466,894** | **459,171** |

(Continued)

3) Movements in the fair value of plan assets

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

| | | 2019 | 2018 |
|---|---|---|---|
| Fair value of plan assets at January 1 | $ | 356,339 | 322,679 |
| Interest income | | 3,894 | 4,324 |
| Remeasurements of the net defined benefit liabilities: | | | |
| -Return on plan assets (excluding interest income) | | 12,333 | 8,724 |
| Contributions made | | 89,101 | 42,013 |
| Benefits paid by the plan | | (21,944) | (21,401) |
| Fair value of plan assets at December 31 | **$** | **439,723** | **356,339** |

4) Expenses recognized in profit or loss

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

| | | 2019 | 2018 |
|---|---|---|---|
| Current service costs | $ | 2,690 | 3,284 |
| Net interest of net defined benefit liabilities | | 1,088 | 1,603 |
| | **$** | **3,778** | **4,887** |
| Operating costs | $ | 3,335 | 4,327 |
| Operating expenses | | 443 | 560 |
| | **$** | **3,778** | **4,887** |

5) Remeasurement in net defined benefit liabilities recognized in other comprehensive income

The remeasurement in net defined benefit liabilities recognized in other comprehensive income for the Group were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Accumulated amount at January 1 | $ | (46,156) | (28,953) |
| Recognized during the period | | (9,662) | (17,203) |
| Accumulated amount at December 31 | **$** | **(55,818)** | **(46,156)** |

6) Actuarial assumptions

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Discount rate | 0.750% to 1.000 % | 1.000% to 1.125 % |
| Future salary increase rate | 1.000 % | 1.000 % |

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $13,580.

The weighted-average lifetime of the defined benefits plans is 9.01 years to 10.42 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%) | $ | (9,841) | 9,504 |
| Future salary increasing rate (Decreasing or increasing in 0.25%) | | 9,243 | (9,003) |
| As of December 31, 2018 | | | |
| Discount rate (Decreasing or increasing in 0.25%) | $ | (9,608) | 9,927 |
| Future salary increasing rate (Decreasing or increasing in 0.25%) | | 9,679 | (9,418) |

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Group 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 Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

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The Group recognized the pension costs under the defined contribution method amounting to $17,436 and $16,923 for 2019 and 2018, respectively. The payment was made to the Bureau of Labor Insurance. As of December 31, 2019 and 2018, the payables which had not been contributed to the Bureau of Labor Insurance were $3,280 and $2,942 respectively, and they were recognized as notes payable and other payables in the consolidated balance sheets.

(iii) Short-term benefit obligation

As of December 31, 2019 and 2018, the Group's short-term benefit liabilities for vacation were $20,134 and $19,554, respectively, and were recognized as other payables in the consolidated balance sheets.

(u) Income taxes

(i) The amount of income tax expense (benefit) was as follows:

| | 2019 | 2018 |
|---|---|---|
| Current tax expense (benefit) | | |
| Current period | $ - | 27,108 |
| Adjustment for prior years | (110) | (15) |
| | (110) | 27,093 |
| Deferred tax expense (benefit) | | |
| Origination and reversal of temporary differences and tax losses | (93,885) | 4,838 |
| Adjustment in tax rate | - | (10,094) |
| Change in unrecognized deferred tax assets of deductible temporary differences and tax losses | 25,400 | (7,439) |
| | (68,485) | (12,695) |
| Income tax expense (benefit) | **$ (68,595)** | **14,398** |

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

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

| | 2019 | 2018 |
|---|---|---|
| Profit (loss) before income tax | **$ 663,824** | **(546,251)** |

(Continued)

| | | 2019 | 2018 |
|---|---|---|---|
| Income tax using the Company's domestic tax rate | $ | 132,765 | (109,250) |
| Unrealized losses (gains) on valuation of financial assets | | (130,160) | 179,765 |
| Adjustment in tax rate | | - | (10,094) |
| Dividends income | | (16,226) | (38,072) |
| Dividends income which does not count in tax loss carryforward | | 16,678 | - |
| Non-deductible expenses | | 108 | 78 |
| Effect of investment losses (gains) under equity method | | 230 | (13) |
| Compensate for loss reduction of investees | | (97,274) | - |
| Liquidated loss on investees | | - | (701) |
| Changes in unrecognized temporary differences and tax losses | | 25,400 | (7,439) |
| Adjustments for prior periods | | (110) | (15) |
| Undistributed earnings additional tax | | - | 111 |
| Others | | (6) | 28 |
| | **$** | **(68,595)** | **14,398** |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Defined benefits plan | $ | 24,962 | 100,344 |
| The carryforward of unused tax loss | | 567,792 | 360,636 |
| | **$** | **592,754** | **460,980** |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize 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 Group'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** | |

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 | Unrealized foreign exchange gains | Land value increment tax provision | Others | Total |
|---|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | | |
| **Balance at January 1, 2019** | $ | 402 | 29 | 786,248 | 722 | 787,401 |
| Debit (credit) profit or loss | | (214) | (29) | - | (292) | (535) |
| **Balance at December 31, 2019** | $ | **188** | **-** | **786,248** | **430** | **786,866** |
| **Balance at January 1, 2018** | $ | 524 | 35 | 786,248 | 93 | 786,900 |
| Debit (credit) profit or loss | | (122) | (6) | - | 629 | 501 |
| **Balance at December 31, 2018** | $ | **402** | **29** | **786,248** | **722** | **787,401** |

| | | Tax loss carry-forward | Allowance for inventories losses | Others | Total |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| **Balance at January 1, 2019** | $ | 41,400 | 10,112 | 19,537 | 71,049 |
| Credit (debit) profit or loss | | 67,135 | (611) | 1,426 | 67,950 |
| **Balance at December 31, 2019** | $ | **108,535** | **9,501** | **20,963** | **138,999** |
| **Balance at January 1, 2018** | $ | 36,441 | 2,550 | 18,862 | 57,853 |
| Credit (debit) profit or loss | | 4,959 | 7,562 | 675 | 13,196 |
| **Balance at December 31, 2018** | $ | **41,400** | **10,112** | **19,537** | **71,049** |

(iii) Assessment of tax

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

(v) Capital and other equity

(i) Capital stock

As of December 31, 2019 and 2018, the authorized shares capital of the Company was $6,327,735, comprising 632,774 thousand shares, with a par value $10. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Treasury share transactions | $ | - | 207,530 |
| Difference arising from subsidiary's share price and its carrying value | | 3,463 | 47,429 |
| | **$** | **3,463** | **254,959** |

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

(iii) Retained earnings

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

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

1) Legal reserve

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

According to Securities and Futures Bureau (SFB, former SFC) regulations, the investment income resulting from the sale of long-term equity investment in First Copper Technology Co., Ltd. in 1988 should be treated as unrealized gain, and such gain cannot be distributed until such long-term equity investment is resold. As of December 31, 2019 and 2018, the amount of the unrealized gain was $95,408.

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. According to regulations, the increase in retained earnings amounted to $888,766. It exceeded the increase in retained earnings occurring before the date of first-time adoption of IFRSs amounting to $776,576. 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. As of the carrying amount of special reserve amounted to $776,576 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.

In accordance with Rule No. 1010047490 issued by the Financial Supervisory Commission ("FSC") on November 21, 2012, if the market value of the Company's shares is lower than the carrying value of the Company's shares held by subsidiaries at year-end, the Company should retain a special reserve amounting to the difference between the market value and the carrying value, based upon the Company's ownership percentage in the subsidiaries. When market value rebounds, the Company could reverse the special reserve. The balance of special reserve was reserved by the Company amounting to $73,758, with the approval of shareholders in June 2018. As of December 31, 2019 and 2018, the balance of special reserve both amounted to $1,887.

3) Earnings distribution

In 2018, the Company incurred loss, the legal reserve and capital surplus amounting to $348,038 was used to offset accumulated deficit, with the approval of the general meeting of shareholders held on June 12, 2019.

Earnings distribution for 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 14, 2018. The relevant dividend distributions to shareholders is as follows:

| | 2017 | |
|---|---|---|
| | **Amount per share** | **Amount** |
| Dividends distributed to ordinary shareholders: | | |
| Cash | $ 0.73 | **461,925** |

Related Information would be available at the Market Observation Post System website after the approval from the shareholders.

(iv) Treasury stock

First Copper Technology Co., Ltd, controlled by the Company, held the Company's common stocks for finance management. Such shares are treated as treasury stock in preparation of financial statements. As of December 31, 2019 and 2018, the investee, First Copper Technology Co., Ltd., held 208,564 thousand shares of the Company's common stock, and their market values amounted to $2,075,210 and $1,918,787, respectively. As of December 31,

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2019 and 2018, the total amount which the Company recognized as treasury stock was $968,671 and $912,919, respectively.

(v) Other equity (net of tax)

| | Financial assets measured at fair value through other comprehensive income | Available-for-sale financial assets | Total |
|---|---|---|---|
| Balance at January 1, 2019 | $ (27,279) | - | (27,279) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | (17,270) | - | (17,270) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income of subsidiaries accounted for using equity method | (252) | - | (252) |
| Balance at December 31, 2019 | **$ (44,801)** | **-** | **(44,801)** |
| Balance at January 1, 2018 | $ - | 123,591 | 123,591 |
| Effects of retrospective application | (23,768) | (123,591) | (147,359) |
| Balance at January 1, 2018 after adjustment | (23,768) | - | (23,768) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | (3,057) | - | (3,057) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income of subsidiaries accounted for using equity method | (116) | - | (116) |
| Disposal of investments in equity instruments measured at fair value through other comprehensive income | (338) | - | (338) |
| Balance at December 31, 2018 | **$ (27,279)** | **-** | **(27,279)** |

(Continued)

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(w) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2019 and 2018, were as follows (excluding 208,564 thousand shares, of common stock outstanding held by the Company's subsidiaries as treasury stock):

| | 2019 | 2018 |
|---|---|---|
| **Basic earnings per share** | | |
| Profit (loss) attributable to ordinary shareholders of the Company | $ **792,653** | **(617,703)** |
| Weighted-average number of common shares outstanding (shares in thousands) | **424,210** | **424,210** |
| Basic earnings per share (in dollars) | $ **1.87** | **(1.46)** |
| **Diluted earnings per share** | | |
| Profit (loss) attributable to ordinary shareholders of the Company (After adjusting to dilutive potential ordinary share effect) | $ **792,653** | **(617,703)** |
| Weighted-average number of common shares outstanding (shares in thousands) | 424,210 | 424,210 |
| Effect of dilutive potential ordinary shares | | |
| Effect of employee share bonus (shares in thousands) | 1,838 | - (Note) |
| Weighted-average number of common shares outstanding (shares in thousands) (After adjusting to dilutive potential ordinary share effect) | **426,048** | **424,210** |
| Diluted earnings per share (in dollars) | $ **1.86** | **(1.46)** |

Note: For the year ended December 31, 2018, the effects of common shares were not included in the calculation of the diluted earnings per share, due to their anti-dilutive impact on earnings per share.

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(x) Revenue from contracts with customers

(i) Disaggregation of revenue

| | 2019 | | | | |
|---|---|---|---|---|---|
| | **Wire** | **Cable** | **Copper** | **Other** | **Total** |
| Primary geographical markets: | | | | | |
| Taiwan | $ 1,663,610 | 2,882,877 | 1,358,715 | 417,698 | 6,322,900 |
| Mainland China | 233,520 | 8,484 | 598,822 | - | 840,826 |
| Others | 92,133 | 162 | 576,596 | - | 668,891 |
| Total | **$ 1,989,263** | **2,891,523** | **2,534,133** | **417,698** | **7,832,617** |
| Major products/services lines: | | | | | |
| Oxygen free copper wire | $ 1,804,959 | - | - | - | 1,804,959 |
| Wire and cable | - | 2,687,326 | - | - | 2,687,326 |
| Copper plate | - | - | 2,245,891 | - | 2,245,891 |
| Processing revenue | 20,227 | 912 | 101,696 | - | 122,835 |
| Contract revenue | - | - | - | 375,099 | 375,099 |
| Others | 164,077 | 203,285 | 186,546 | 42,599 | 596,507 |
| Total | **$ 1,989,263** | **2,891,523** | **2,534,133** | **417,698** | **7,832,617** |
| Timing for revenue recognition: | | | | | |
| Products transferred at a point in time | $ 1,989,263 | 2,891,523 | 2,534,133 | 42,599 | 7,457,518 |
| Construction transferred over time | - | - | - | 375,099 | 375,099 |
| Total | **$ 1,989,263** | **2,891,523** | **2,534,133** | **417,698** | **7,832,617** |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | **Wire** | **Cable** | **Copper** | **other** | **total** |
| Primary geographical markets: | | | | | |
| Taiwan | $ 1,815,654 | 2,962,594 | 1,676,320 | 216,657 | 6,671,225 |
| Mainland China | 372,145 | 3,242 | 766,901 | - | 1,142,288 |
| Others | 88,516 | - | 658,064 | - | 746,580 |
| Total | **$ 2,276,315** | **2,965,836** | **3,101,285** | **216,657** | **8,560,093** |

(Continued)

**HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES**
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| | 2018 | | | | |
|---|---|---|---|---|---|
| | **Wire** | **Cable** | **Copper** | **other** | **total** |
| Major products/services lines: | | | | | |
| Oxygen free copper wire | $ 2,008,674 | - | - | - | 2,008,674 |
| Wire and cable | - | 2,803,675 | - | - | 2,803,675 |
| Copper plate | - | - | 2,821,948 | - | 2,821,948 |
| Processing revenue | 17,538 | 896 | 113,839 | - | 132,273 |
| Contract revenue | - | - | - | 185,859 | 185,859 |
| Others | 250,103 | 161,265 | 165,498 | 30,798 | 607,664 |
| Total | **$ 2,276,315** | **2,965,836** | **3,101,285** | **216,657** | **8,560,093** |
| Timing for revenue recognition: | | | | | |
| Products transferred at a point in time | $ 2,276,315 | 2,965,836 | 3,101,285 | 30,798 | 8,374,234 |
| Construction transferred over time | - | - | - | 185,859 | 185,859 |
| Total | **$ 2,276,315** | **2,965,836** | **3,101,285** | **216,657** | **8,560,093** |

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 consolidated balance sheets.

(ii) Contract balances

| | **December 31, 2019** | **December 31, 2018** |
|---|---|---|
| Notes and accounts receivable | $ 914,114 | 1,071,537 |
| Less: allowance for impairment | - | - |
| Total | **$ 914,114** | **1,071,537** |

| | **December 31, 2019** | **December 31, 2018** |
|---|---|---|
| Contract assets－construction | **$ 117,698** | **91,347** |
| Contract liabilities－construction | $ 8,499 | 62,743 |
| Contract liabilities－advance sales receipts | 26,676 | 20,891 |
| Total | **$ 35,175** | **83,634** |

(Continued)

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

For details on onerous contracts as of December 31, 2019 and 2018, please refer to note 6(q).

The amount of revenue which was recognized in the year ended December 31, 2019 and 2018, and included in the contract liability balance at January 1, 2019 and 2018 were $77,103 and $81,480, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(y) 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.

For the year ended December 31, 2019, the Company estimated its employee remuneration amounting to $18,288, and directors' remuneration amounting to $3,048. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating cost or operating expenses during 2019. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be accounted for as changes in accounting estimates and will be reflected in profit or loss in the following year. Related information would be available at the Market Observation Post System website. For the year ended December 31, 2018, the Company's operating result was net loss before tax, therefore, no remuneration to employees, directors and supervisors were appropriated. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019.

(z) Non-operating income and expenses

(i) Other income

Details of other income of the Group were as follows:

| | | 2019 | 2018 |
|---|---|---|---|
| Interest income | $ | 149 | 174 |
| Dividend income | | 81,133 | 190,360 |
| Rental income | | 37,164 | 25,783 |
| Revenue from sale of scrap | | 2,096 | 4,481 |
| Directors' and supervisors' remuneration | | 2,506 | 5,147 |
| Others | | 2,483 | 2,188 |
| | **$** | **125,531** | **228,133** |

(ii) Other gains and losses

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

| | 2019 | 2018 |
|---|---|---|
| Foreign exchange gains (loss), net | $ (244) | 4,498 |
| Net gains (losses) of financial assets at fair value through profit or loss | 650,799 | (898,824) |
| Net gains (losses) on disposal of property, plant and equipment | (1,055) | 771 |
| Depreciation of investment property | (8,521) | (8,258) |
| Others | (3,129) | (13,711) |
| | **$ 637,850** | **(915,524)** |

(iii) Finance costs

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

| | 2019 | 2018 |
|---|---|---|
| Interest expenses | | |
| Bank loans and short-term notes payable | $ (17,996) | (15,957) |
| Lease liabilities | (3,795) | - |
| Others | (36) | (28) |
| | **$ (21,827)** | **(15,985)** |

(aa) 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 | $ 3,162,316 | 2,451,642 |
| Financial assets at fair value through other comprehensive income (including accounts receivable) | 79,414 | 102,550 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents | 639,066 | 668,021 |
| Notes receivable, accounts receivable, and other receivables | 922,557 | 1,142,063 |
| Guarantee deposits paid | 418 | 326 |
| Subtotal | 1,562,041 | 1,810,410 |
| Total | **$ 4,803,771** | **4,364,602** |

(Continued)

2) Financial liabilities

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Financial liabilities at amortized cost: | | | |
| Short-term borrowings | $ | 1,045,043 | 934,907 |
| Short-term notes and bills payable | | 1,705,938 | 1,599,565 |
| Payables (including related parties) | | 415,281 | 503,837 |
| Lease liabilities (including current portion) | | 262,848 | - |
| Guarantee deposits received | | 3,606 | 2,726 |
| Total | $ | **3,432,716** | **3,041,035** |

(ii) Credit risk

1) Exposure to credit risk

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

2) Concentration to credit risk

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

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

As of December 31, 2019 and 2018, one customer accounted for 39.54% and 24.11% 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 includes other receivables and other financial assets (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(g)). No impairment loss allowance were 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 | | | | | | | |
| Short-term borrowings | $ 1,045,043 | 1,047,056 | 1,047,056 | - | - | - | - |
| Short-term notes and bills payable | 1,705,938 | 1,706,500 | 1,706,500 | - | - | - | - |
| Notes payable | 11,264 | 11,264 | 11,264 | - | - | - | - |
| Accounts payable (including related parties) | 342,406 | 342,406 | 342,406 | - | - | - | - |
| Other payables | 61,611 | 61,611 | 61,611 | - | - | - | - |
| Lease liabilities (including current portion) | 262,848 | 290,445 | 19,363 | - | 19,363 | 58,089 | 193,630 |
| Guarantee deposits received | 3,606 | 3,606 | 226 | 880 | 200 | 2,300 | - |
| | $ 3,432,716 | 3,462,888 | 3,188,426 | 880 | 19,563 | 60,389 | 193,630 |
| **December 31, 2018** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | $ 934,907 | 935,469 | 935,469 | - | - | - | - |
| Short-term notes and bills payable | 1,599,565 | 1,600,000 | 1,600,000 | - | - | - | - |
| Notes payable | 16,952 | 16,952 | 16,952 | - | - | - | - |
| Accounts payable (including related parties) | 422,754 | 422,754 | 422,754 | - | - | - | - |
| Other payables | 64,131 | 64,131 | 64,131 | - | - | - | - |
| Guarantee deposits received | 2,726 | 2,726 | 6 | 360 | 880 | 1,480 | - |
| | $ 3,041,035 | 3,042,032 | 3,039,312 | 360 | 880 | 1,480 | - |

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

(iv) Foreign currency risk

1) Exposure to foreign currency risk

The Group'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 | $ 1,461 | 29.98 | 43,822 | 1,301 | 30.715 | 39,950 |
| HKD | 29 | 3.849 | 112 | - | - | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 1,635 | 29.98 | 49,137 | 514 | 30.715 | 15,839 |
| JPY | 14,803 | 0.276 | 4,090 | 3,250 | 0.2782 | 904 |
| 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 receivable, 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, HKD, JPY and EUR had increased or decreased by 1%, given no changes in other factors, the impact were as follows:

| 2019 | | 2018 | |
|---|---|---|---|
| **Depreciate 1%** | **Appreciate 1%** | **Depreciate 1%** | **Appreciate 1%** |
| **Decrease in net profit after tax** | **Increase in net profit after tax** | **Decrease in net loss after tax** | **Increase in net loss after tax** |
| **$ 78** | **78** | **183** | **183** |

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

3) Exchange gains and losses from monetary items

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

| | 2019 | 2018 |
|---|---|---|
| | **Exchange gains (losses)** | **Exchange gains (losses)** |
| USD | $ (93) | 4,233 |
| Others | (151) | 265 |
| Total | **$ (244)** | **4,498** |

(v) Interest rate analysis

Please refer to the notes on liquidity risk management and the interest rate exposure of the Group'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 follows:

| 2019 | | 2018 | |
|---|---|---|---|
| **Increase 0.25%** | **Decrease 0.25%** | **Increase 0.25%** | **Decrease 0.25%** |
| **Decrease in net profit after tax** | **Increase in net profit after tax** | **Increase in net loss after tax** | **Decrease in net loss after tax** |
| **$ 2,090** | **2,090** | **1,870** | **1,870** |

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

(Continued)

(vi) Equity securities prices risk

If the prices of equity securities change at reporting date, with all other variables held constant, the influences on 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% | $ 749 | 31,623 | 928 | 24,516 |
| Decrease by 1% | $ (749) | (31,623) | (928) | (24,516) |

(vii) Fair value of financial instruments

1) Fair value 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 Group'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 carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **Fair Value** | | | |
| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets at fair value through profit or loss** | | | | | |
| Publicly traded stocks | $ 2,869,663 | 2,869,663 | - | - | 2,869,663 |
| Non-publicly traded stocks | 292,653 | 260,793 | - | 31,860 | 292,653 |
| Total | **$ 3,162,316** | | | | |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Non-publicly traded stocks | $ 74,895 | - | - | 74,895 | 74,895 |
| Accounts receivable | 4,519 | - | 4,519 | - | 4,519 |
| Total | **$ 79,414** | | | | |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | **Carrying amount** | **Fair Value** | | | |
| | | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets at fair value through profit or loss** | | | | | |
| Publicly traded stocks | $ 2,241,674 | 2,241,674 | - | - | 2,241,674 |
| Non-publicly traded stocks | 209,968 | 172,708 | - | 37,260 | 209,968 |
| Total | **$ 2,451,642** | | | | |

(Continued)

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## Notes to the Consolidated Financial Statements

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Carrying | Fair Value | | | |
| | amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Non-publicly traded stocks | $ 92,817 | - | - | 92,817 | 92,817 |
| Accounts receivable | 9,733 | - | 9,733 | - | 9,733 |
| Total | $ 102,550 | | | | |

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 Group's listed securities, and open-end funds with standard terms and conditions, and traded in active markets, were determined by the quoted market prices.

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

The equity instruments of the Group 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 3

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

The Group held an investment in equity shares of Liyu Technology Co, Ltd. (Liyu), which was classified as fair value through profit or loss, with the fair values of $37,260 thousand and $47,205 thousand as of December 31, 2018 and 2017, respectively. Because the stock trading of Liyu on the Emerging stock was terminated on August 24, 2018, its financial instrument did not have any quoted market price. Therefore, the fair value of Liyu's stock was measured with significant unobservable inputs, resulting in its transfer from Level 1 to Level 3 of the fair value hierarchy as of December 31, 2018.

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4) Movements of financial assets in level 3

| | | Fair value through profit or loss | Fair value through other comprehensive income |
|---|---|---|---|
| | | **Equity investment without an active market** | **Equity investment without an active market** |
| **Balance at January 1, 2019** | $ | 37,260 | 92,817 |
| Total gains or losses | | | |
| Recognized in profit (loss) | | (5,400) | |
| Recognized in other comprehensive income (loss) | | - | (17,922) |
| **Balance at December 31, 2019** | **$** | **31,860** | **74,895** |
| **Balance at January 1, 2018** | $ | - | 64,293 |
| Effect of retrospective application | | - | 34,310 |
| Balance at January 1, 2018 after adjustments | | - | 98,603 |
| Total gains or losses | | - | |
| Recognized in profit (loss) | | (9,945) | - |
| Recognized in other comprehensive income (loss) | | - | (3,386) |
| Disposals | | - | (2,400) |
| Transfer from Level 1 | | 47,205 | - |
| **Balance at December 31, 2018** | **$** | **37,260** | **92,817** |

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

| | | 2019 | 2018 |
|---|---|---|---|
| Total gains and losses recognized: | | | |
| In profit or loss, and presented in "other gains and losses" | $ | (5,400) | (9,945) |
| In other comprehensive income, and presented in "unrealized gains and losses from financial assets at fair value through other comprehensive income" | | (17,922) | (3,386) |

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

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss－equity investments" and "financial assets measured at fair value through other comprehensive income — equity investments".

The Group's financial instrument that use Level 3 inputs to measure fair value was significant unobservable.

As of December 31, 2019 and 2018, quantified information of significant unobservable inputs was as follows:

| Items | Valuation techniques | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss-equity investments without an active market | 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. |
| Financial assets measured at fair value through other comprehensive income -equity investments without an active market | 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 Group'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 was as follows:

| | Inputs | Increase (decrease) | Fair value change in profit or loss | | Fair value change in other comprehensive income | |
|---|---|---|---|---|---|---|
| | | | Favorable | Unfavorable | Favorable | Unfavorable |
| **December 31, 2019** | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Equity investment without an active market | Marketability discount yield to 30% | 10% | $ 4,551 | (4,551) | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Equity investment without an active market | Marketability discount yield to 30% | 10% | - | - | 10,699 | (10,699) |
| **December 31, 2018** | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Equity investment without an active market | Marketability discount yield to 30% | 10% | $ 5,323 | (5,323) | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Equity investment without an active market | Marketability discount yield to 30% | 10% | - | - | 13,260 | (13,260) |

(Continued)

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.

(ab) Financial risk management

(i) Overview

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

1) Credit risk
2) Liquidity risk
3) Market risk

The Group'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 Group's risk management policies are established to identity and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Group's Audit committee oversees how the management complies in monitoring the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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 Group'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 receivable and other receivables

The Group's exposure credit risk is influenced by the individual characteristics of each customer. The Group 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 Group 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 Group reviews credit limits periodically and required customers to pay in advance when the customers' credit ratings did not meet the benchmark.

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

2) Deposits and other financial assets

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks with good credit rating. The Group does not expect any counterparty above fails to meet its obligations. Hence, there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as 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 Group's reputation.

As of December 31, 2019 and 2018, unused credit lines approximated to $4,341,399 and $6,085,971, 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 Group'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 Group 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, HKD, JPY and EUR.

Generally, borrowings and purchasing are denominated in currencies that match the cash flows generated by the underlying operations of the Group as same as USD, HKD, 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 Group's evaluation of the global economic environment and the trend in market interest rates.

3) Market price risk of equity instruments

Part of the Group'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 Group will be exposed to the risk of changes in the value of the equity securities market.

(ac) Capital management

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

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

The Group 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 consolidated 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 and non-controlling interests, plus, net debt.

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

| | | **December 31, 2019** | **December 31, 2018** |
|---|---|---|---|
| Total liabilities | $ | 4,393,440 | 4,133,061 |
| Less: cash and cash equivalents | | 639,066 | 668,021 |
| Net debt | | 3,754,374 | 3,465,040 |
| Total equity | | 7,909,887 | 7,287,315 |
| Capital after adjustment | **$** | **11,664,261** | **10,752,355** |
| Debt-to-equity ratio | | 32.19% | 32.23% |

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

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

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| | January 1, 2019 | Cash flows | Non-cash changes Amortized interest | December 31, 2019 |
|---|---|---|---|---|
| Short-term borrowings | $ 934,907 | 110,136 | - | 1,045,043 |
| Short-term notes and bills payable | 1,599,565 | 94,078 | 12,295 | 1,705,938 |
| Lease liabilities (including current portion) | 278,416 | (15,568) | - | 262,848 |
| Guarantee deposit received (including other payables $1,484) | 3,469 | 1,621 | - | 5,090 |
| **Total liabilities from financing activities** | **$ 2,816,357** | **190,267** | **12,295** | **3,018,919** |

| | January 1, 2018 | Cash flows | Non-cash changes Amortized interest | December 31, 2018 |
|---|---|---|---|---|
| Short-term borrowings | $ 1,099,546 | (164,639) | - | 934,907 |
| Short-term notes and bills payable | 1,699,794 | (110,856) | 10,627 | 1,599,565 |
| Guarantee deposit received (including other payables $743) | 5,280 | (1,811) | - | 3,469 |
| **Total liabilities from financing activities** | **$ 2,804,620** | **(277,306)** | **10,627** | **2,537,941** |

### (7) Transaction with related parties:

(a) Names and relationship with related parties

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

| Name of related party | Relationship with the Group |
|---|---|
| Chung-Tai Technology Development Engineering Corporation | An associate |
| National Ship Demolition Co., Ltd. | Controlled by key management personnel of the Group (Note) |
| Taiwan Times Co., Ltd. | Controlled by key management personnel of the Group (Note) |
| Mei Da Co., Ltd. | Controlled by key management personnel of the Group (Note) |

(Note) Summarized as other related parties.

(b) Significant transactions with related parties

(i) Purchases and cost of construction

The amounts of significant purchases and costs of construction by the Group from related parties were as follows:

| | 2019 | 2018 |
|---|---|---|
| Associate | $ - | 430 |
| Other related parties | 9 | 9 |
| | **$ 9** | **439** |

The prices for purchases and costs of construction from related parties have not comparison with whose purchase from third-party vendors. Payment terms with related parties were 1 to 3 months.

(ii) Payables to related parties

The payables to related parties are as follows:

| Account | Relationship | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Notes payable | Associate | $ - | 40 |
| Accounts payable | Associate | - | 390 |
| Accounts payable | Other related parties | 105 | 105 |
| | | **$ 105** | **535** |

(iii) Leases

Rental income is from office premises leased to other related parties. The above rental income was collected monthly or in advance. The price is decided by using the nearby office rental rates and by negotiating with each other. Rental incomes in 2019 and 2018 were both $168, and were included in other income of non-operating income and expenses in the consolidated statements of comprehensive income.

As of December 31, 2019 and 2018, the receivables from above transaction were settled in full.

(iv) Others

The amounts of advertising expense incurred by other related parties amounted to $104 and $100 in 2019 and 2018, respectively, which were included in operating expenses in consolidated statements of comprehensive income.

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(c) Key management personnel compensation

Key management personnel compensation comprised:

| | | 2019 | 2018 |
|---|---|---|---|
| Short-term employee benefits | $ | 21,226 | 18,471 |
| Post-employment benefits | | 487 | 503 |
| Termination benefits | | - | - |
| Other long-term benefits | | - | - |
| Share-based payments | | - | - |
| | $ | **21,713** | **18,974** |

**(8) Pledged assets: None.**

**(9) 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 | $ | **205,883** | **19,316** |

(ii) Unused standby letters of credit:

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Purchase of material | $ | **511,437** | **373,766** |

**(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 | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary and wages | 321,392 | 64,315 | 385,707 | 310,629 | 59,222 | 369,851 |
| Labor and health insurance | 35,608 | 7,867 | 43,475 | 34,618 | 7,646 | 42,264 |
| Pension | 16,902 | 4,312 | 21,214 | 17,560 | 4,250 | 21,810 |
| Remuneration of directors | - | 5,578 | 5,578 | - | 2,449 | 2,449 |
| Other personnel costs | 18,239 | 9,925 | 28,164 | 18,539 | 10,426 | 28,965 |
| Depreciation | 150,725 | 3,130 | 153,855 | 136,332 | 3,654 | 139,986 |
| Amortization | - | - | - | 10 | 20 | 30 |

(Continued)

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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 Group 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 | | | | Highest percentage of ownership during the year | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Units (shares) | Carrying value | Percentage of ownership (%) | Fair value | Units (shares) | Percentage of ownership (%) | |
| The Company | China Ecotek Corporation stock | The Company is a director of the investee | Current financial assets at fair value through profit or loss | 11,843,730 | 415,715 | 9.57 % | 415,715 | 11,843,730 | 9.57 % | |
| The Company | Wafer Works Corporation stock | The Company is a director of the investee | Current financial assets at fair value through profit or loss | 4,493,217 | 163,329 | 0.88 % | 163,329 | 4,493,217 | 0.88 % | |
| The Company | Raydium Semi-conductor Corporation stock | - | Current financial assets at fair value through profit or loss | 1,470,000 | 149,087 | 2.19 % | 149,087 | 1,470,000 | 2.19 % | |
| First Copper Technology Co., Ltd. | Asia Pacific Telecom Co., Ltd. stock | The 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 | 15,418,000 | 0.36 % | |
| First Copper Technology Co., Ltd. | Co-Tech Development Corp. stock | The 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 | 2,230,375 | 0.88 % | |
| The Company | Asia Pacific Telecom Co., Ltd. stock | The Company is a director of the investee | Non-current financial assets at fair value through profit or loss | 89,087,877 | 1,023,496 | 2.33 % | 1,023,496 | 135,922,500 | 3.16 % | |
| The Company | Savior Lifetec Corporation stock | The Company is a director of the investee | Non-current financial assets at fair value through profit or loss | 4,335,750 | 95,170 | 1.62 % | 95,170 | 4,335,750 | 1.62 % | |
| The Company | Bionime Corporation stock | The Company is a director of the investee | Non-current financial assets at fair value through profit or loss | 7,807,900 | 628,536 | 13.09 % | 628,536 | 7,807,900 | 13.09 % | |
| The Company | Co-Tech Development Corp. stock | The Company is a director of the investee | Non-current financial assets at fair value through profit or loss | 7,812,375 | 332,417 | 3.09 % | 332,417 | 7,812,375 | 3.09 % | |
| The Company | Pixon Technologies Corporation stock | The Company is a director of the investee | Non-current financial assets at fair value through profit or loss | 3,811,200 | 111,706 | 19.96 % | 111,706 | 3,811,200 | 19.96 % | |
| The Company | Liyu Technology Co., Ltd. stock | - | Non-current financial assets at fair value through profit or loss | 4,500,000 | 31,860 | 7.73 % | 31,860 | 4,500,000 | 7.73 % | |
| The Company | International United Technology Co., Ltd. stock | The Company is a director of the investee | Non-current financial assets at fair value through comprehensive income | 987,354 | 6,368 | 6.04 % | 6,368 | 1,917,194 | 9.54 % | |
| The Company | Pack & Proper Co., Ltd. stock | The Company is a director of the investee | Non-current financial assets at fair value through comprehensive income | 2,466,288 | 19,040 | 4.78 % | 19,040 | 2,466,288 | 4.78 % | |
| The Company | Global Securities Finance Corporation stock | - | Non-current financial assets at fair value through comprehensive income | 2,102,512 | 9,819 | 0.53 % | 9,819 | 2,102,512 | 0.53 % | |
| The Company | United Electronics Industrial Co., Ltd. stock | - | Non-current financial assets at fair value through comprehensive income | 1,615,732 | 9,403 | 2.77 % | 9,403 | 1,615,732 | 2.77 % | |
| First Copper Technology Co., Ltd. | Hua Eng Wire & Cable Co., Ltd. stock | The Company | Non-current financial assets at fair value through comprehensive income | 208,563,824 | 2,075,210 | 32.96 % | 2,075,210 | 208,563,824 | 32.96 % | (Note) |
| First Copper Technology Co., Ltd. | Global Securities Finance Corporation stock | - | Non-current financial assets at fair value through comprehensive income | 700,837 | 3,273 | 0.18 % | 3,273 | 700,837 | 0.18 % | |
| The Company | Taiwan Sugar Corporation stock | - | Non-current financial assets at fair value through comprehensive income | 457,087 | 26,692 | 0.01 % | 26,692 | 457,087 | 0.01 % | |
| The Company | Illchi United Trade Corporation stock | The Company is a director of the investee | Non-current financial assets at fair value through comprehensive income | 30,000 | 300 | 6.67 % | 300 | 30,000 | 6.67 % | |

Note: It was eliminated in the consolidation.

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# HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(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.

(x) Business relationships and significant intercompany transactions:

| | | | | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| **No.** | **Name of company** | **Name of counter-party** | **Nature of relationship** | **Account name** | **Amount** | **Trading terms** | **Percentage of the consolidated net revenue or total assets** |
| 0 | The Company | First Copper Technology Co., Ltd. | 1 | Operating revenue<br>Accounts receivable | 44,227<br>5,384 | (Note 1) | 0.56 %<br>0.04 % |
| 0 | The Company | First Copper Technology Co., Ltd. | 1 | Purchases<br>Accounts payable | 10,810<br>100 | (Note 2) | 0.14 %<br>- |
| 0 | The Company | First Copper Technology Co., Ltd. | 1 | Reduction of operating expense- management service | 19,200 | No other trading terms for comparison | 0.25 % |
| 0 | The Company | First Copper Technology Co., Ltd. | 1 | Rental income | 240 | No other trading terms for comparison | - |
| 0 | The Company | Hua Ho Engineering Co., Ltd. | 1 | Operating revenue<br>Accounts receivable | 2,304<br>2,419 | No transactions with third parties for comparison | 0.03 %<br>0.02 % |
| 0 | The Company | Hua Ho Engineering Co., Ltd. | 1 | Construction costs<br>Accounts payable | 44,745<br>51,316 | No transactions with third parties for comparison | 0.57 %<br>0.42 % |
| 0 | The Company | Hua Ho Engineering Co., Ltd. | 1 | Reduction of operating expense- management service | 1,440 | No other trading terms for comparison | 0.02 % |
| 0 | The Company | Hua Ho Engineering Co., Ltd. | 1 | Rental income | 1,052 | No other trading terms for comparison | 0.01 % |

Note 1: The prices of those sales could not be compared to those of the third-parties customers. The prices of other sales were not significantly different from third-parties customers. The credit terms with other customers are from one to three months.

Note 2: The prices of those purchases could not be compared to those of the third-parties suppliers. The prices of other purchases were not significantly different from third-parties suppliers. The payment terms with other suppliers are from one to three months.

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# HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(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 business 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 | First Copper Technology Co., Ltd. (Note) | Kaohsiung | Manufacturing of copper plate | 1,401,129 | 1,318,866 | 141,818,196 | 39.44 % | 540,029 | (99,342) | (38,455) | Subsidiary Company |
| The Company | Hua Ho Engineering Co., Ltd. (Note) | Kaohsiung | Cable engineering | 17,195 | 17,195 | 1,726,000 | 49.31 % | 16,501 | 1,295 | 638 | Subsidiary Company |
| The Company | Chung-Tai Technology Development Engineering Corporation | New Taipei City | Telecommunication engineering | 92,000 | 92,000 | 2,300,000 | 23.00 % | 12,676 | (5,194) | (1,152) | The Company exercises significant influence |
| First Copper Technology Co., Ltd. | Hua Ho Engineering Co., Ltd. (Note) | Kaohsiung | Cable engineering | 165 | 165 | 10,000 | 0.29 % | 97 | 1,295 | 4 | Subsidiary Company |

Note: It was eliminated in the consolidation.

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

**HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES**
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## (14) Segment information:

(a) General Information

The Group has three reportable segments: Wire segment, Cable segment and Copper segment. Wire segment produces products such as oxygen free copper wire. Cable segment produces power cable, communication cable and optical fiber cable; Copper Segment produces copper plate. The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately.

The Group's other reportable segments are mainly engaged in project contracting and material trading. The above segments did not meet the quantitative thresholds; therefore, were classified as other segments.

The operating segment accounting policies are similar to those described in note 4 significant accounting policies. The Group’s operating segment measured by the operating profit before income tax and make a performance evaluation.

(b) Information about reportable segments and their measurement and reconciliation

The Group's operating segment information and reconciliation are as follows:

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Wire segment** | **Cable segment** | **Copper segment** | **other segment** | **Reconciliation and eliminations** | **Total** |
| Revenue: | | | | | | |
| Revenue from external customers | $ 1,989,263 | 2,891,523 | 2,534,133 | 417,698 | - | 7,832,617 |
| Intersegment sales | - | 46,526 | 10,810 | 44,750 | (102,086) | - |
| Total revenue | **$ 1,989,263** | **2,938,049** | **2,544,943** | **462,448** | **(102,086)** | **7,832,617** |
| Reportable segment profit or loss | **$ 22,199** | **239,071** | **(91,607)** | **12,904** | **481,257** | **663,824** |
| Reportable segment assets | **$ -** | **-** | **-** | **-** | **12,303,327** | **12,303,327** |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| | **Wire segment** | **Cable segment** | **Copper segment** | **other segment** | **Reconciliation and eliminations** | **Total** |
| Revenue: | | | | | | |
| Revenue from external customers | $ 2,276,315 | 2,965,836 | 3,101,285 | 216,657 | - | 8,560,093 |
| Intersegment sales | 891 | 70,603 | 7,410 | 35,939 | (114,843) | - |
| Total revenue | **$ 2,277,206** | **3,036,439** | **3,108,695** | **252,596** | **(114,843)** | **8,560,093** |
| Reportable segment profit or loss | **$ 31,689** | **301,025** | **43,966** | **17,611** | **(940,542)** | **(546,251)** |
| Reportable segment assets | **$ -** | **-** | **-** | **-** | **11,420,376** | **11,420,376** |

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**HUA ENG WIRE & CABLE CO., LTD. AND SUBSIDIARIES**
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(c) Product and service information

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

| Product and services | 2019 | 2018 |
|---|---|---|
| Copper wire | $ 1,804,959 | 2,008,674 |
| Cable | 2,687,326 | 2,803,675 |
| Copper plate | 2,245,891 | 2,821,948 |
| Processing revenue | 122,835 | 132,273 |
| Construction revenue | 375,099 | 185,859 |
| Others | 596,507 | 607,664 |
| Total | $ **7,832,617** | **8,560,093** |

(d) 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 the external customers: | | |
| Taiwan | $ 6,322,900 | 6,671,225 |
| Mainland China | 840,826 | 1,142,288 |
| Japan | 381,580 | 354,476 |
| Other countries | 287,311 | 392,104 |
| Total | $ **7,832,617** | **8,560,093** |
| Non-current assets: | | |
| Taiwan | $ **4,474,043** | **4,138,261** |

Non-current assets included property, plant and equipment, investment property, intangible assets, prepayments for equipment, long-term prepaid rents, right-of-use asset and other assets not including financial instruments and deferred tax assets.

(e) Information on major customers

The sales to individual customers that constituted 10% or more of the Group's net consolidated sales were as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Customer** | **Amount** | **% of net consolidated sales** | **Amount** | **% of net consolidated sales** |
| A | $ **1,241,787** | **15.85 %** | **841,789** | **9.83 %** |