

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

**APEX INTERNATIONAL CO., LTD. AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

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The independent auditors' report and the accompanying 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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Independent Auditors' Report

To the Board of Directors of Apex International Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Apex International Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, 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 at December 31, 2018 and 2017, 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 significant 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 taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgments, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

Please refer to note 4(m) "Recognition of Revenue" for accounting policy related to revenue recognition, and note 6(q) for the information related to revenue of the consolidated financial statements.

Description of key audit matter:

The Group entered into agreements or sales orders, with different terms and conditions, with its major customers, which increase the complexity of the timing of revenue recognition. Therefore, the revenue recognition was considered to be one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our audit procedures included:

- Assessing and testing the design, as well as the effectiveness of the operation on the control over sales and collection cycle.
- Performing comparison analysis on sales of the current period to last period and the latest quarter, and performing trend analysis on operating income from each top ten customer to assess the existence of any significant exceptions, and further identify and analyze the reasons if there is any significant exception.
- Performing test-of-detail on sales to assess the assertions of existence and accuracy, as well as the appropriateness of recognition.
- Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether sales of goods, sales returns and allowances have been appropriately recognized.

2. Impairment of accounts receivable

Please refer to note 4(g) "Financial Instruments" 1. Financial Assets (3) Impairment of financial assets for accounting policy related to impairment of accounts receivable, note 5(a) for accounting assumptions and estimation uncertainties of impairment of accounts receivable, note 6(c) "Accounts receivable" and note 6(d) "Other receivables" for information related to impairment of accounts receivable of the consolidated financial statements

Description of key audit matter:

The accounts receivable of the Group stands a significant ratio in the total asset of the consolidated statements of financial position, and the collectability of accounts receivable is subject to significant judgment by the management. Also, in 2018, the Group is required to adopt IFRS 9 for the first time, which involves the adoption of new complex accounting requirements and accounting policies, to assess and measure new assumptions and judgments made in determining the Group's expected credit loss, as well as the relevance and reliability of the data used in the determination of the said loss. Furthermore, as the judgment and determination of the expected credit loss are susceptible to management bias and new disclosure requirements, the assessment of the impairment of accounts receivable is considered to be one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our audit procedures included:

- Evaluating the appropriateness of the accounting policies based on the requirements of IFRS 9, our business understanding and industry practice.
- Assessing the reasonableness of key judgments and estimates (including the selection of methods, assumptions, and data sources) made by the management in determining the impairment of accounts receivables.
- Performing comparison analysis on turnover rates of accounts receivable and the movements in accounts receivable of the top ten customers of the current period to last period and the latest quarter to assess the existence of any significant exceptions, and further identify and analyze the reasons if there is any significant exception.

- Assessing whether appropriate provision policies for doubtful accounts are applied.
- Obtaining aging analysis of accounts receivable and examining relevant documents to verify the accuracy of the aging period. Understanding the reason on long overdue accounts receivable of major customers to identify whether signs of impairment loss exist in order to assess the appropriateness of provision for doubtful accounts.
- Assessing whether the Group's impairment of accounts receivable has been set aside in accordance with the Group's provision policy on a consistent basis.
- Assessing the appropriateness and adequacy of provision for doubtful accounts made by the management in accordance to the ratio of actual write-offs of accounts receivable that uncollectable over the sum of historical accounts receivable and subsequent collection of accounts receivable.
- Assessing the completeness, accuracy, and relevance of the disclosures to the financial statements.

3. Subsequent measurements of inventories

Please refer to note 4(h) "Inventories" for accounting policy related to subsequent measurements of inventories, note 5(b) for accounting assumptions and estimation uncertainties of inventories and note 6(e) for information related to impairment of inventories of the consolidated financial statements.

Description of key audit matter:

Inventories of the Group are measured at the lower of cost and net realizable value. The fair value of inventories is vulnerable to the impact of highly competitive market of printed circuit board. Furthermore, high price volatility on raw material this year is likely to increase the risk of loss on market price decline, and as a result, overestimation of the subsequent measurement of inventories is more likely to occur. Therefore, the subsequent measurements of inventories was considered to be one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our audit procedures included:

- Assessing whether appropriate provision policies for inventories are applied.
- Assessing whether the Group's subsequent measurement of inventories has been evaluated in accordance with the Group's provision policy on a consistent basis.
- Obtaining aging analysis of inventories, assessing the appropriateness of provision set aside for obsolete and slow-moving inventories, and examining relevant documents to verify the accuracy of the aging period.
- Obtaining evaluation report of the net realizable value of inventories, assessing the appropriateness of provision set aside for loss on market price decline, and examining relevant documents to verify the accuracy of sales prices and calculation of net realizable value.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed 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 are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters significant in our audit of the consolidated financial statements for the years ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditor's 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 Min-Ju Chao and Ya-Lin Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 5, 2019

Notes to Readers

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

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.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017			December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets									
11xx Current assets:									
1100 Cash and cash equivalents (note 6(a))	\$ 410,268	3	247,564	2	21xx	\$ 1,287,170	11	1,195,048	11
1110 Financial assets measured at fair value through profit or loss -- current (note 6(b))	4,401	-	378	-	2100				
1170 Accounts receivable, net (note 6(c))	3,643,989	30	3,078,106	28	2120	191	-	172	-
1200 Other receivables (note 6(d))	42,988	-	66,075	1	2170	2,283,616	19	2,186,430	19
130x Inventories (note 6(e))	1,652,363	14	1,390,931	12	2200	427,934	4	398,120	4
1479 Other current assets	61,431	1	51,278	-	2213	228,758	2	292,909	3
Total current assets	<u>5,815,440</u>	<u>48</u>	<u>4,834,332</u>	<u>43</u>	2230	872	-	9,012	-
15xx Non-current assets:					2321	609,649	5	-	-
1510 Financial asset measured at fair value through profit or loss -- non-current (note 6(f))	170	-	-	-	2322	262,348	2	546,402	5
1600 Property, plant and equipment (note 6(f), 8, and 9)	6,260,130	52	6,319,396	57	2355	149,677	1	167,575	1
1780 Intangible assets (note 6(g))	37,879	-	16,280	-	2399	19,883	-	13,777	-
1840 Deferred tax assets (note 6(n))	12,227	-	10,595	-		<u>5,270,098</u>	<u>44</u>	<u>4,809,445</u>	<u>43</u>
1915 Prepayment for equipment	7,364	-	21,360	-	Total current liabilities				
1920 Refundable deposits	8,137	-	8,256	-	Non-Current liabilities:				
Other financial assets -- non-current (note 8)	-	-	20,894	-	Convertible bonds payable (notes 6(j) and (o))	44,946	-	596,110	5
Total non-current assets	<u>6,325,907</u>	<u>52</u>	<u>6,396,781</u>	<u>57</u>	Long-term loans (notes 6(i), 7, and 8)	584,764	5	1,021,916	9
					Deferred tax liabilities (note 6(h))	46,242	1	42,501	-
					Long-term payable	21,771	-	64,575	1
					Liabilities under finance leases (notes 6(k) and 8)	122,606	1	262,587	3
					Other non-current liabilities (notes 6(k) and (m))	42,025	-	30,627	-
					Total non-current liabilities	<u>862,334</u>	<u>7</u>	<u>2,018,316</u>	<u>18</u>
					Total liabilities	<u>6,132,452</u>	<u>51</u>	<u>6,827,761</u>	<u>61</u>
					Equity attributable to owners of parent (notes 6(j), (m), (n) and (o)):				
					Common stock	1,702,295	14	1,445,180	13
					Capital surplus	1,944,448	16	1,652,256	15
					Retained earnings	2,331,889	19	1,499,002	13
					Exchange differences on translation of foreign financial statements	2,661	-	(216,966)	(2)
					Total equity attributable to owners of parent	<u>5,981,293</u>	<u>49</u>	<u>4,379,472</u>	<u>39</u>
					Non-controlling interests	27,602	-	23,880	-
					Total equity	<u>6,008,895</u>	<u>49</u>	<u>4,403,352</u>	<u>39</u>
1xxx Total assets	<u>\$ 12,141,347</u>	<u>100</u>	<u>\$ 11,231,113</u>	<u>100</u>	Total liabilities and equity	<u>\$ 12,141,347</u>	<u>100</u>	<u>\$ 11,231,113</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(q) and (r))	\$ 11,175,098	100	10,395,323	100
5000	Operating costs (notes 6(e), (f), (g), (l) and (m))	9,354,427	84	9,310,847	90
	Gross profit (loss) from operations	1,820,671	16	1,084,476	10
6000	Operating expenses (notes 6(c), (d), (f), (g), (l), (m), (o), and 7):				
6100	Selling expenses	528,797	5	544,589	5
6200	Administrative expenses	457,099	4	449,003	4
6450	Expected credit loss (gain)	236	-	-	-
	Total operating expenses	986,132	9	993,592	9
6900	Operating income	834,539	7	90,884	1
7000	Non-operating income and expenses (notes 6(b), (f), (h), (l), (j), (k) and (s)):				
7010	Other income	39,890	-	19,502	-
7020	Other gains and losses	69,103	1	113,100	1
7050	Finance costs	(102,970)	(1)	(114,365)	(1)
	Total non-operating income and expenses	6,023	-	18,237	-
7900	Profit before income tax	840,562	7	109,121	1
7951	Less: Income tax expense (note 6(n))	7,504	-	30,677	-
	Profit	833,058	7	78,444	1
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	3,477	-	(397)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	30	-
	Components of other comprehensive income that will not be reclassified to profit or loss	3,477	-	(367)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	220,556	2	83,667	1
8399	Other components of other comprehensive income that may be subsequently reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	220,556	2	83,667	1
8300	Other comprehensive income, net	224,033	2	83,300	1
	Total comprehensive income	\$ 1,057,091	9	161,744	2
	Profit, attributable to:				
8610	Owners of parent	\$ 829,425	7	78,000	1
8620	Non-controlling interests	3,633	-	444	-
		\$ 833,058	7	78,444	1
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 1,052,514	9	160,924	2
8720	Non-controlling interests	4,577	-	820	-
		\$ 1,057,091	9	161,744	2
	Basic earnings per share (expressed in New Taiwan dollars)(note 6(p))				
9750	Basic earnings per share	\$ 5.45		0.59	
9850	Diluted earnings per share	\$ 4.93		0.59	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Special reserve	Retained earnings	Exchange differences on translation of foreign operation	Total equity attributable to owners of parent		
				Unappropriated retained earnings				
				Total				
Balance at January 1, 2017	\$ 1,225,950	1,483,703	213,473	1,342,749	(300,256)	3,965,619	23,393	3,989,012
Appropriation and distribution of retained earnings:								
Special reserve appropriated	-	-	86,783	(86,783)	-	-	-	-
Cash dividends of ordinary share	-	-	-	(95,624)	-	(95,624)	-	(95,624)
Stock dividends of ordinary share	39,230	-	-	(39,230)	-	-	-	-
Profit	-	-	-	78,000	-	78,000	444	78,444
Other comprehensive income	-	-	-	(366)	83,290	82,924	376	83,300
Total comprehensive income	-	-	-	77,634	83,290	160,924	820	161,744
Issue of shares	180,000	168,220	-	-	-	348,220	-	348,220
Changes in ownership interests in subsidiaries	-	333	-	-	-	333	(333)	-
Balance at December 31, 2017	1,445,180	1,652,256	300,256	1,198,746	(216,966)	4,379,472	23,880	4,403,352
Profit	-	-	-	829,425	-	829,425	3,633	833,058
Other comprehensive income	-	-	-	3,462	219,627	223,089	944	224,033
Total comprehensive income	-	-	-	832,887	219,627	1,052,514	4,577	1,057,091
Conversion of convertible bonds	257,115	264,652	-	-	-	521,767	-	521,767
Equity component from convertible bonds issued	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	27,540	-	-	-	27,540	-	27,540
Balance at December 31, 2018	\$ 1,702,295	1,944,448	300,256	2,031,633	2,661	5,981,293	27,602	6,008,895

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 840,562	109,121
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	659,479	614,721
Amortization expense	10,821	8,104
Expected credit loss / Provision for bad debt expense	236	229
Interest expense	102,970	114,365
Interest income	(4,798)	(980)
Loss on disposal of property, plant and equipment	19,930	2,696
Impairment loss on non-financial assets	896	483
Total adjustments to reconcile profit	789,534	739,618
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets held for trading	(8,316)	9,597
Accounts receivable	(566,119)	(471,547)
Other receivables	23,087	268,862
Inventories	(261,432)	104,871
Other current assets	(10,153)	(11,247)
Total changes in operating assets	(822,933)	(99,464)
Changes in operating liabilities:		
Financial liabilities held for trading	19	(553)
Accounts payable	97,186	235,982
Other payables	29,273	83,685
Other current liabilities	6,106	497
Other non-current liabilities	14,905	5,800
Total changes in operating liabilities	147,489	325,411
Total changes in operating assets and liabilities	(675,444)	225,947
Total adjustments	114,090	965,565
Cash inflow generated from operations	954,652	1,074,686
Interest received	4,798	980
Interest paid	(83,833)	(100,693)
Income taxes paid	(14,906)	(53,955)
Net cash flows from operating activities	860,711	921,018
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(504,876)	(735,918)
Proceeds from disposal of property, plant and equipment	4,143	682
Acquisition of intangible assets	(30,345)	(3,098)
Decrease (increase) in prepayments for equipment	14,536	(4,693)
Decrease (increase) in refundable deposits	119	(713)
Decrease (increase) in other financial assets—non-current	20,894	(20,894)
Net cash used in investing activities	(495,529)	(764,634)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	48,058	(290,211)
Proceeds from issuing bonds	593,319	-
Proceeds from long-term loans	1,621,503	2,164,780
Repayments of long-term loans	(2,371,356)	(2,096,317)
Increase in liabilities under finance lease	-	69,031
Decrease in liabilities under finance lease	(170,833)	(184,410)
Cash dividends paid	-	(95,624)
Proceeds from issuing shares	-	348,220
Change in non-controlling interests	(855)	-
Net cash flows from financing activities	(280,164)	(84,531)
Effect of exchange rate changes on cash and cash equivalents	77,686	4,606
Net increase in cash and cash equivalents	162,704	76,459
Cash and cash equivalents at beginning of period	247,564	171,105
Cash and cash equivalents at end of period	\$ 410,268	247,564

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Apex International Co., Ltd. (the “Company”) was established in the Cayman Islands on October 28, 2009. The main purpose of the establishment, which resulted from organizational restructuring, was to apply for emerging stock registration on the Taipei Exchange (TPEX, formerly known as the GTSM) in the Republic of China. After restructuring, the Company became the holding company of Apex Circuit (Thailand) Co., Ltd. (Apex Circuit (Thailand)), which is located in Thailand, and became a listed company on the TPEX in the Republic of China (R.O.C.) on October 18, 2011. The Company then changed its listing from the TPEX to the Taiwan Stock Exchange (TWSE) in the R.O.C. on September 8, 2015. Apex Circuit (Thailand) mainly manufactures and sells electronic printed circuit boards. The Company and its subsidiaries are hereinafter referred to as the Group.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 5, 2019.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 9 “Financial Instruments”

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

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

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

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below,

- Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

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

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

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (There are no changes in the measurement categories of financial liabilities and its carrying amount.)

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables	247,564	Amortized cost	247,564
Trade and other receivables	Loans and receivables	3,144,181	Amortized cost	3,144,181
Other financial assets (restricted bank deposits and refundable deposits)	Loans and receivables	29,150	Amortized cost	29,150

The above changes would not have any material impact on the Group's basic and diluted earnings per share for the year ended December 31, 2018 and 2017.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

IFRS 15 establishes a comprehensive framework using a five-step analysis model to determine whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

(iii) Amendments to IAS 7 “Disclosure Initiative”

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

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

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

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

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

Except IFRS 16 “Leases”, 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:

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.

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

(i) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the followings:

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

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(ii) Transition

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

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

The Group plans to apply IFRS 16 using the modified retrospective approach in measuring its right-of-use assets with lease liability, with no restatement of comparative information.

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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use hindsight when determining the lease term if the contract contains options to extend or terminate the lease

- (iii) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to increase by 135,456 thousand as at January 1, 2019, as a result of the above changes. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Group is not required to make any adjustments for leases where the Group is the intermediate lessor in a sub-lease.

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

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC
- As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(4) Summary of significant accounting policies:

The significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

Except for note 3, 6(g), and 6(m) that disclose the changes in accounting policies, the significant accounting policies presented in the consolidated financial statements are summarized as follows:

(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 the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Basis of preparation

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liability (asset) is recognized as plan assets measured at fair value, less, the present value of the defined benefit obligation, and measured restrictedly according to Note 4(n).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries (the Group). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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 (i.e. transactions with owners in their capacity as owners).

(ii) List of subsidiaries in the consolidated financial statements

The Company's subsidiaries were as follows:

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)	
			December 31, 2018	December 31, 2017
The Company	Apex Circuit (Thailand) Co., Ltd. (Apex Circuit (Thailand))	PCB manufacturing and sales	99.58 %	99.58 % (note 1)
The Company	Approach Excellence Trading Ltd. (incorporated in British Virgin Islands) (AET)	Supply chain integration	100.00 %	100.00 %
Apex Circuit (Thailand)	Apex Electronics (Shen Zhen) Co., Ltd. (APC)	PCB import and export	100.00 %	100.00 % (note 2)

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 1: In October 2017, Apex Circuit (Thailand) issued new stock totaling THB335,400 thousands (NTD307,020 thousands).

Note 2: On November 13, 2017, the Board decided to close down APC, a subsidiary of the Group, due to a shift in operating strategy, and has started related legal process as of the reporting date.

List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

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

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

Except for the differences in available-for-sale equity investment which are recognized in other comprehensive income arising on the retranslation, the foreign currency differences arising on retranslation are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Assets and liabilities classified as current and non-current

The Group shall classify an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group shall classify all other assets as non-current.

The Group shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability 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.

The Group shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, checking deposits and highly liquid deposits that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(g) Financial instruments

(i) Financial assets (Applicable from January 1, 2018)

Financial assets of the Group are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

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

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) 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.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

3) Impairment of financial assets

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

Loss allowance for bank balances is measured by 12-month ECL 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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities 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 90 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. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

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

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (Applicable before January 1, 2018)

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term.

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

2) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses.

3) Impairment of financial assets

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

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

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

Impairment losses and recoveries of accounts receivable are recognized in operating expenses, and impairment losses and recoveries of other financial assets are recognized in other gains and losses.

4) Derecognition of financial assets

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

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

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognized as distributions within equity upon approval by the Group's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to a financial liability is recognized in profit or loss, and it is included in non-operating gains and losses recorded under finance costs. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in other gains and losses.

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Notes to the Consolidated Financial Statements

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Interest expense not capitalized as capital cost is recognized in profit or loss, and is recorded in finance cost under non-operating income and expense.

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments (Applicable from January 1, 2018, and is consistent with the accounting principles used before January 1, 2018)

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

(h) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Variable costs are allocated by the actual output, and fixed manufacturing overheads are allocated to the work-in-process and finished goods by the normal capacity of the manufacturing equipment. The unallocated fixed manufacturing overheads due to lower production capacity or idle machines should be recorded as cost of goods sold in the current period. If the actual production output is higher than the normal production output, the difference should be allocated to finished goods and work-in-process. The cost of inventories is based on the monthly-weighted-average-cost principle.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The subsequent measurement of inventories is based on the lower of cost or net realizable value, item by item. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. The cost of inventories should be reduced to net realizable value when the market values of inventories are less than their costs. Such adjustment amount should be recorded as cost of goods sold. If the market values rise in the subsequent period, then the cost of inventories should be adjusted to the market values, while the adjustment amount should not be over the previous reduction range, and such adjustment should be recorded as cost of goods sold in the current period.

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Lease assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Land improvement	5 to 10 years
Buildings	3 to 20 years
Machinery and equipment	1 to 20 years
Transportation equipment	3 to 5 years
Office equipment	5 to 20 years
Leased equipment	5 to 15 years
Leasehold improvement	1 to 6 years

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

(j) Lease—lessee

Leases in terms of 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 and the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

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

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

All other leases are classified as operating leases and are not recognized as the leased assets in the consolidated statement of financial position.

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

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

(i) 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.

(ii) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization of intangible assets is recognized in profit or loss on a straight-line basis over 5 years from the date that they are available for use.

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

(l) Impairment—non-derivative financial assets

To ensure the non-derivative financial assets are carried at no more than their recoverable amount, and to define how the recoverable amount is determined, the Group evaluates the indication of impairment on the reporting date and estimates the recoverable amount for those assets which show indications of impairment.

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss.

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Recognition of Revenue

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

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 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.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (Applicable before January 1, 2018)

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Sales returns and allowances are recognized as a credit to sales that occur in the current year, and the related costs of sales returns are deducted from cost of goods sold.

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses; (2) the return on plan assets, excluding the amounts included in net interest on the net defined benefit liability (asset); and (3) any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (asset). Prior to December 31, 2014, the Group recognized the remeasurements of the defined benefit liability (asset) to profit or loss immediately when it incurred. However, since January 1, 2015, the Group started to recognize the remeasurements of the defined benefit liability (asset) to other comprehensive income. The Group recognized the remeasurements of the defined benefit liability (asset) under retained earnings. Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any changes in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date (market yield of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(iv) Short-term employee benefits

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Income taxes

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

Current taxes include taxable profit for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

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

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

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

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(p) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee bonus.

(q) Segment information

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 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.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next 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) The loss allowance of accounts receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For the relevant assumptions and input values, please refer to note 6(c).

(b) Subsequent measurements of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the subsequent measurements of inventories.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash	\$ 414	280
Demand deposits	236,565	246,878
Checking deposits	1,184	367
Time deposits	172,105	39
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 410,268</u>	<u>247,564</u>

Please refer to note 6(t) for the disclosure of interest rate risks and sensitivity analysis of the Groups' financial assets and liabilities.

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

Please refer to note 6(s) for the amounts recognized in the comprehensive income statements that resulted from remeasurement at fair value.

The Group uses derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to arising from its operating, financing, and investing activities. As these derivative financial instruments did not qualify for hedge accounting, the Group held the following derivative financial instruments as held-for-trading financial assets (liabilities) as of December 31, 2018 and 2017.

Forward exchange contracts:

December 31, 2018				
	Amount (in thousands)	Currency	Maturity dates	Fair value of assets (liabilities)
Forward exchange sold	USD 10,800	USD to THB	2019.1.16 ~2019.5.8	<u>4,401</u>
Forward exchange sold	USD 2,000	USD to THB	2019.7.3	<u>(191)</u>
December 31, 2017				
	Amount (in thousands)	Currency	Maturity dates	Fair value of assets (liabilities)
Forward exchange purchased	USD 6,659	THB to USD	2018.5.31 ~2018.6.28	<u>378</u>
Forward exchange purchased	USD 2,000	THB to USD	2018.6.28	<u>(172)</u>

(Continued)

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 3,646,085	3,079,896
Less: Loss allowance	<u>(2,096)</u>	<u>(1,790)</u>
	<u><u>\$ 3,643,989</u></u>	<u><u>3,078,106</u></u>

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 on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

The Group's analyses of the expected credit loss on its accounts receivable in the regions of Taiwan and Mainland China as of December 31, 2018 were as follows:

	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 349,814	-	47
Past due 1~30 days	125,201	-	75
Past due 31~60 days	3,528	-	9
Past due 61~90 days	-	9	-
Past due 91~120 days	-	30	-
Past due 121~180 days	-	60	-
Over 180 days	-	100	-
	<u><u>\$ 478,543</u></u>		<u><u>131</u></u>

The Group's analyses of the expected credit loss on its accounts receivable in the regions of Japan and Korea as of December 31, 2018 were as follows:

	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 472,875	-	-
Past due 1~30 days	43,230	-	-
Past due 31~60 days	1,628	-	-
Past due 61~90 days	-	-	-
Past due 91~120 days	-	-	-
Past due 121~180 days	-	5	-
Over 180 days	-	100	-
	<u><u>\$ 517,733</u></u>		<u><u>-</u></u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's analyses of the expected credit loss on its accounts receivable in other Asian region as of December 31, 2018 were as follows:

	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,152,613	-	-
Past due 1~30 days	253,215	-	-
Past due 31~60 days	8,979	-	-
Past due 61~90 days	97	100	97
Past due 91~120 days	252	-	-
Past due 121~180 days	1,868	100	1,868
Over 180 days	-	100	-
	<u>\$ 1,417,024</u>		<u>1,965</u>

The Group's analyses of the expected credit loss on its accounts receivable in the Western region (Europe and America) as of December 31, 2018 were as follows:

	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,107,465	-	-
Past due 1~30 days	118,869	-	-
Past due 31~60 days	5,700	-	-
Past due 61~90 days	232	-	-
Past due 91~120 days	519	-	-
Past due 121~180 days	-	-	-
Over 180 days	-	100	-
	<u>\$ 1,232,785</u>		<u>-</u>

As of December 31, 2017, the Group reserves its allowances for bad debt on accounts receivable based on the credit loss it already incurred. As of December 31, 2017, the aging analyses of past due but not impaired accounts receivable of the Group were as follows:

	December 31, 2017
Past due 1~60 days	\$ 526,486
Past due 61~90 days	1,364
Past due 91~120 days	924
Past due 121~365 days	131
	<u>\$ 528,905</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Group's changes in the loss allowance of its accounts receivable are as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Beginning balance (according to IAS 39)	\$ 1,790	-	1,533
Adjustment of initial application of IFRS 9	-		
Beginning balance (according to IFRS 9)	1,790		
Impairment loss	236	-	229
Foreign exchange gain (loss)	70	-	28
Ending balance	<u>\$ 2,096</u>	<u>-</u>	<u>1,790</u>

(d) Other receivables

	December 31, 2018	December 31, 2017
Other receivables	\$ 42,988	66,075
Less: Loss allowance	-	-
	<u>\$ 42,988</u>	<u>66,075</u>

The Group does not have any past due other receivables as of December 31, 2018 and 2017.

For more information on credit risk, please refer to notes 6(t).

(e) Inventories

	December 31, 2018		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 682,137	(39,911)	642,226
Work in process	374,967	(3,875)	371,092
Finished goods	301,741	(23,565)	278,176
Supplies and spare parts	270,162	(38,899)	231,263
Goods in transit	129,203	-	129,203
Merchandise inventory	403	-	403
Total	<u>\$ 1,758,613</u>	<u>(106,250)</u>	<u>1,652,363</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2017		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 349,482	(42,719)	306,763
Work in process	333,262	(5,552)	327,710
Finished goods	251,911	(13,339)	238,572
Supplies and spare parts	296,385	(25,080)	271,305
Goods in transit	246,039	-	246,039
Merchandise inventory	542	-	542
Total	\$ 1,477,621	(86,690)	1,390,931

For the years ended December 31, 2018 and 2017, in addition to the normal cost of goods sold, the following loss and revenue were included in the Group's operating costs:

	2018	2017
Loss on market price decline and obsolete and slow-moving inventories	\$ 16,083	34,768
Revenue from sale of scrap	(356,151)	(277,259)
Loss on inventory obsolescence	425,182	396,301
Physical count variance	-	(4)
	\$ 85,114	153,806

As of December 31, 2018 and 2017, the Group did not pledge its inventory as collateral.

(f) **Property, plant and equipment**

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the years ended December 31, 2018 and 2017, were as follows:

	Land	Land improvement	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased equipment	Leasehold improvement	Unfinished construction and equipment undergoing acceptance testing	Total
Cost:										
Balance at January 1, 2018	\$ 318,861	7,468	1,949,895	6,377,653	9,836	346,092	895,194	11,751	98,560	10,015,310
Additions	-	-	78,372	192,341	2,634	49,601	-	766	74,207	397,921
Disposals	-	-	(1,166)	(248,915)	(2,494)	(4,967)	-	(330)	-	(257,872)
Reclassification	-	-	6,781	373,876	-	997	(286,776)	-	(95,998)	(1,120)
Translation effect	11,774	276	73,445	240,953	366	13,504	28,141	364	3,265	372,088
Balance at December 31, 2018	<u>330,635</u>	<u>7,744</u>	<u>2,107,327</u>	<u>6,935,908</u>	<u>10,342</u>	<u>405,227</u>	<u>636,559</u>	<u>12,551</u>	<u>89,034</u>	<u>10,526,327</u>
Balance at January 1, 2017	\$ 313,914	5,826	1,883,826	5,648,330	9,538	312,297	854,250	10,839	183,665	9,222,485
Additions	-	1,615	30,869	516,327	314	34,377	-	763	78,942	663,207
Disposals	-	(95)	(706)	(20,004)	(170)	(6,416)	-	-	-	(27,391)
Reclassification	-	-	5,501	131,329	-	379	26,939	-	(165,202)	(1,054)
Translation effect	4,947	122	30,405	101,671	154	5,455	14,005	149	1,155	158,063
Balance at December 31, 2017	<u>318,861</u>	<u>7,468</u>	<u>1,949,895</u>	<u>6,377,653</u>	<u>9,836</u>	<u>346,092</u>	<u>895,194</u>	<u>11,751</u>	<u>98,560</u>	<u>10,015,310</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Land improvement	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased equipment	Leasehold improvement	Unfinished construction and equipment undergoing acceptance testing	Total
Accumulated depreciation and impairment losses:										
Balance at January 1, 2018	\$ -	2,291	534,325	2,760,998	8,840	189,516	192,905	7,039	-	3,695,914
Depreciation	-	782	107,355	511,962	1,482	36,109	-	1,819	-	659,509
Impairment loss	-	-	-	896	-	-	-	-	-	896
Disposals	-	-	(128)	(226,369)	(2,494)	(4,478)	-	(330)	-	(233,799)
Reclassification	-	-	-	92,021	(355)	-	(91,666)	-	-	-
Translation effect	-	98	21,571	108,448	304	7,489	5,552	215	-	143,677
Balance at December 31, 2018	\$ -	3,171	663,123	3,247,956	7,777	228,636	196,791	8,743	-	4,266,197
Balance at January 1, 2017	\$ -	1,545	426,617	2,309,625	7,640	159,796	134,454	5,160	-	3,044,837
Depreciation	-	734	99,014	479,048	1,568	32,598	-	1,788	-	614,750
Impairment loss	-	-	-	483	-	-	-	-	-	483
Disposals	-	(25)	(25)	(17,882)	(170)	(5,911)	-	-	-	(24,013)
Reclassification	-	-	-	(54,878)	(341)	-	55,219	-	-	-
Translation effect	-	37	8,719	44,602	143	3,033	3,232	91	-	59,857
Balance at December 31, 2017	\$ -	2,291	534,325	2,760,998	8,840	189,516	192,905	7,039	-	3,695,914
Carrying amount:										
Balance at December 31, 2018	\$ 330,635	4,573	1,444,204	3,687,952	2,565	176,591	529,768	3,808	80,034	6,260,130
Balance at December 31, 2017	\$ 318,861	5,177	1,415,570	3,616,655	996	156,876	702,289	4,712	98,560	6,319,396
Balance at January 1, 2017	\$ 313,914	4,281	1,457,209	3,338,705	1,898	152,501	719,796	5,679	183,665	6,177,648

The Group tested the related machinery for impairment and estimated the differences between the book value and the recoverable amount. The impairment loss recognized was as follows:

	2018	2017
Impairment loss	\$ 896	483

The Group used fair value less selling cost to calculate the recoverable amount as the basis to measure the impairment of property, plant and equipment.

Please refer to note 6(s) for the amount of interest expenses capitalized.

(g) Intangible assets

	Software
Costs:	
Balance at January 1, 2018	\$ 64,090
Additions	30,345
Reclassification from property, plant and equipment	1,120
Translation effect	2,886
Balance at December 31, 2018	\$ 98,441

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Software
Balance at January 1, 2017	\$ 58,934
Additions	3,098
Reclassification from property, plant and equipment	1,054
Translation effect	1,004
Balance at December 31, 2017	<u>\$ 64,090</u>
Amortization and impairment loss:	
Balance at January 1, 2018	\$ 47,810
Amortization	10,821
Translation effect	1,931
Balance at December 31, 2018	<u>\$ 60,562</u>
Balance at January 1, 2017	\$ 38,937
Amortization	8,104
Translation effect	769
Balance at December 31, 2017	<u>\$ 47,810</u>
Carrying amount:	
Balance at December 31, 2018	<u>\$ 37,879</u>
Balance at December 31, 2017	<u>\$ 16,280</u>
Balance at January 1, 2017	<u>\$ 19,997</u>

(h) Short-term loans

	December 31, 2018	December 31, 2017
Unsecured loans	<u>\$ 1,287,170</u>	<u>1,195,048</u>
Unused credit line	<u>\$ 3,575,346</u>	<u>3,861,551</u>
Interest rate (%)	<u>1.47~3.21</u>	<u>1.65~2.45</u>

Please refer to note 8 for more information on the collateral for loans.

(i) Long-term loans

	December 31, 2018	December 31, 2017
Secured loans	\$ 509,922	665,732
Unsecured loans	337,190	902,586
Less: current portion	(262,348)	(546,402)
Total	<u>\$ 584,764</u>	<u>1,021,916</u>
Unused credit line	<u>\$ 748,357</u>	<u>218,964</u>
Interest rate (%)	<u>2.59~6.25</u>	<u>1.50~6.25</u>
Contract period	<u>2020.2~2022.11</u>	<u>2018.2~2022.8</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Collateral for loans

Please refer to note 8 for more information on the collateral for loans.

(ii) Loan contract

- 1) Apex Circuit (Thailand) entered into several agreements with several banks in Thailand, including Bangkok Bank and Bank of Ayudhya. The main commitment clauses in the contract with Bangkok Bank and Bank of Ayudhya are as follows:

- a) The shareholding percentage of the family of the chairman of the board of Apex Circuit (Thailand) shall be maintained at a certain level.
- b) Apex Circuit (Thailand) shall maintain a debt-to-equity ratio not exceeding 2:1.

The ratios mentioned above shall be calculated based on the audited annual financial statements of Apex Circuit (Thailand).

As of December 31, 2018, the Group had breached the shareholding percentage clause specified above. However, based on the resolution of the board of directors' meeting in December 2018, Bangkok Bank decided to amend the shareholding percentage clause with respect to the bank's loan contract with the Group, resulting in the Group to meet its shareholding percentage specified in the amended commitment clause, therefore, need not reclassify the long term loan to its current portion. There was no other breach committed concerning the commitment clauses mentioned above.

As of December 31, 2018 and 2017, the Group did not breach the commitment clause mentioned above.

- 2) The Company entered into separate agreements with several banks in Taiwan, the main commitment clauses in the contract are as follows:
 - a) The current ratio (current asset/current liability) must exceed 80%.
 - b) The debt ratio (liability/tangible net asset) cannot exceed 180% or 200%.
 - c) The tangible net worth must exceed TWD \$3.8 billion or \$4.0 billion.
 - d) The shareholding percentage of the subsidiary of the Company, Apex Circuit (Thailand), shall be maintained at a certain level.

The ratio mentioned above shall be calculated based on the audited annual consolidated financial statements, as well as the reviewed semiannual and quarterly consolidated financial statements of the Group.

As of December 31, 2018 and 2017, the Group did not breach the commitment clause mentioned above.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Corporate bonds payable

December 31, 2018			
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Total amount of convertible bonds	\$ 650,000	600,000	1,250,000
Less: Discount on issuing convertible bonds	64,350	29,760	94,110
Underwriting expense	4,027	6,681	10,708
Discounted present value of bonds payable when issued	581,623	563,559	1,145,182
Amortization of discount on bonds payable	58,095	5,057	63,152
Reversal of discount on bonds payable conversion	3,331	29,130	32,461
Less: Accumulated converted amount	33,400	552,800	- 586,200
Ending balance of bonds payable	<u>\$ 609,649</u>	<u>44,946</u>	<u>654,595</u>
December 31, 2017			
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Total amount of convertible bonds	\$ 650,000	-	650,000
Less: Discount on issuing convertible bonds	64,350	-	64,350
Underwriting expense	4,027	-	4,027
Discounted present value of bonds payable when issued	581,623	-	581,623
Amortization of discount on bonds payable	44,556	-	44,556
Reversal of discount on bonds payable conversion	3,331	-	3,331
Less: Accumulated converted amount	33,400	-	33,400
Ending balance of bonds payable	<u>\$ 596,110</u>	<u>-</u>	<u>596,110</u>

Based on the resolution on loan repayment and plant expansion of the board of directors' meetings held on May 12 and June 25, 2014, the Company decided to issue its second unsecured convertible bonds in the amount of \$650,000 at par value with an interest rate of 0% and a period of 5 years.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On July 3, 2014, the Financial Supervisory Commission approved the Company's application to issue its second unsecured convertible bonds. The Company issued its second unsecured convertible bonds on July 21, 2014, in the amount of \$650,000.

The Group issued its convertible bonds in accordance with IAS 39, which requires the Company to recognize liability and equity components of convertible bonds separately as follows:

Discounted present value under effective interest rate method	\$	585,650
Embedded derivative financial instruments (put option and call option)		1,040
Equity component (conversion option)		<u>63,310</u>
	\$	<u><u>650,000</u></u>

On April 13, 2018, the Financial Supervisory Commission approved the Company's application (Letter No.1070308994) to issue its third unsecured convertible bonds not exceeding \$600,000 thousands. The issuance date of the convertible bonds was May 7, 2018, and the price of which was set on April 26, 2018. The convertible bonds issued by the Group totaled 600,000 thousands, with a par value of \$100 thousands per share, without any interest rate, within a period of 3 years, at a conversion price of \$21.50.

The Group issued its convertible bonds in accordance with IFRS 9, which requires the Company to recognize its liability and equity components of convertible bonds separately as follows:

	Third unsecured convertible bond
Value of the convertible bonds upon issuance	\$ 570,240
Embedded derivative financial instruments (put option and call option)	2,220
Equity component (conversion option)	<u>27,540</u>
	<u><u>\$ 600,000</u></u>

(i) Terms of issuing second unsecured convertible bonds are as follows:

The second unsecured convertible bonds

- 1) Coupon rate: 0%
- 2) Issue period: 5 years (July 21, 2014, to July 21, 2019)
- 3) Repayment term:

The bonds are repayable in cash upon the maturity of the bonds except for those which were repurchased by the Company, sold back to the Company, or converted to common stock before maturity.

- 4) Conversion period:

Beginning from one month after the issue date (August 22, 2014) until 10 days before maturity (July 11, 2019), bondholders may convert the bonds into common stock according to the conversion arrangement.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 5) The Company's call option (right of redemption):

Beginning from one month after the issue date (August 22, 2014) until 40 days before maturity (June 11, 2019), if the stock closing price exceeds 30% of the conversion price for 30 consecutive working days, or the remaining amount of bonds payable which have not yet been converted into shares is lower than 10% of the total issue amount, the Company is entitled to send a "bond redemption notification" to bondholders and publish an announcement through the TPEX to exercise its call option.

- 6) Bondholders' put option:

Bondholders are entitled to exercise the put option beginning from the put date (July 21, 2016) with an exercise price at 101.0025% (annual yield rate of the put option is 0.5%) of the face value of the bonds. Upon receipt of a sell-back request, the Company shall pay the amount to bondholders by cheque or electronic transfer within 7 working days of the put date.

- 7) Conversion price and adjustment:

The conversion price at the issue date is \$45 (dollars) per share. If there is any increase in the Company's common stock (including but not limited to cash injection by public offering or private offering, capital increase from retained earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split, or cash injection by participating in the issuance of overseas depository receipts) except for increases in shares from conversion of securities in which a stock conversion right or stock warrant was embedded or from issuance of new shares as employees' bonus, the Company shall calculate and adjust the conversion price based on the formula stated in the conversion arrangement before publishing an announcement through the TPEX. The adjustment shall be made at the ex-rights date when issuing new shares. However, the adjustment will be made at the date when the new share subscriptions are fully collected if the issuance of new shares involves share subscription collection. If the issue price of new shares changes after the ex-rights date for issuing new shares, the conversion price should be adjusted based on the revised issue price by using the formula stated in the conversion arrangement. If such recalculated conversion price is lower than that announced to the public through the TPEX before the ex-rights date for issuing new shares, the Company should re-announce the adjustment of the conversion price through the TPEX. The conversion price at December 31, 2018, is \$35.30 (dollars) per share.

- 8) As the maturity date of the second unsecured convertible bonds, July 21, 2018, falls within one year of the reporting date, the Group reclassified all of its second unsecured convertible bonds and non-current financial assets measured at fair value through profit or loss from non-current to current.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The third unsecured convertible bonds

- 1) Coupon rate: 0%.
- 2) Issue period: 3 years (May 7, 2018, to May 7, 2021)
- 3) Repayment term:

The bonds are repayable in cash upon the maturity of the bonds except for those which were repurchased by the Company, sold back to the Company, or converted to common stock before maturity.

- 4) Conversion period:

Beginning from three months after the issue date (August 8, 2018) until the maturity date (May 7, 2021), bondholders may convert the bonds into common stock according to the conversion arrangement.

- 5) The Company's call option (right of redemption):

Beginning from three months after the issue date (August 8, 2018) until 40 days before maturity (March 28, 2021), if the stock closing price exceeds 30% of the conversion price for 30 consecutive working days, or the remaining amount of bonds payable which have not yet been converted into shares is lower than 10% of the total issue amount, the Company is entitled to send a "bond redemption notification" to bondholders and publish an announcement through the TPEx to exercise its call option.

- 6) Bondholders' put option:

Bondholders are entitled to exercise the put option starting from two years after the issuance date (May 7, 2020) to sell back their shares at an exercise price of 101.0025%, with an annual yield rate of 0.5% of the face value of the bonds. Upon receipt of a sell-back request, the Company shall pay the amount to bondholders by cheque or electronic transfer within 5 working days of the put date.

- 7) Conversion price:

The record date of convertible bonds was April 26, 2018, with the benchmark price calculated by either 1, 3, or 5-day arithmetic average of the closing prices of the Group's common stock before the record date; and the conversion price (rounded to the nearest tenth TWD) calculated by multiplying the benchmark price by 102.8%, which is the conversion minimum rate. If the ex-dividend or ex-right occurs before the record date, its impact on the closing price should first be excluded in order to arrive at the closing price used to calculate the conversion price. However, if the ex-dividend or ex-right occurs between the record date and the issuance date, the conversion price will have to be adjusted by using the prescribed formula. After considering the above measurements, the conversion price amounted to NT\$21.50 per share.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) Financial assets (liabilities) measured at fair value through profit and loss

	December 31, 2018		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Issuance	\$ -	(2,220)	(2,220)
Valuation gain	-	4,293	4,293
Conversion	-	(1,903)	(1,903)
Ending balance	<u>\$ -</u>	<u>170</u>	<u>170</u>

- (iii) The balance of the equity component recorded as capital surplus— stock warrants was as follows:

	December 31, 2018		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ 60,057	-	60,057
Addition in this period	-	27,540	27,540
Less: conversion	-	25,374	25,374
Ending balance	<u>\$ 60,057</u>	<u>2,166</u>	<u>62,223</u>

	December 31, 2017		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance (Ending balance)	<u>\$ 60,057</u>	<u>-</u>	<u>60,057</u>

- (k) Finance lease liabilities

The details of finance lease liabilities are as follows:

	December 31, 2018		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 158,269	8,592	149,677
Between one and five years	126,209	3,603	122,606
	<u>\$ 284,478</u>	<u>12,195</u>	<u>272,283</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 182,260	14,685	167,575
Between one and five years	274,347	11,760	262,587
	<u>\$ 456,607</u>	<u>26,445</u>	<u>430,162</u>

For the year ended December 31, 2018, there was no increase in finance lease liabilities; For the year ended December 31, 2017, the increase in finance lease liabilities was \$69,031, at an interest rate of 3.70%, with a maturity date in May 2021. For the disclosure of interest expenses, please refer to note 6(s).

For the year ended 2017, the Group entered into a sale and leaseback transaction on Machinery. The transaction is a finance lease considering its terms and conditions. For any finance lease liability of the Group, any excess of sales proceeds over the carrying amount (unrealized gain on sale and leaseback) was recognized as a deduction from depreciation over the lease term. As of December 31, 2018 and 2017, the unrealized gain from the sale and leaseback amounted to \$31 and \$60, respectively, was recognized as other non-current liability.

(l) Operating leases

Non-cancellable rentals payable under operating leases were as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 45,374	45,144
Between one and five years	48,985	70,398
	<u>\$ 94,359</u>	<u>115,542</u>

The Group leases a number of warehouses and offices under operating leases. The leases typically run for a period of 1 to 6 years, with an option to renew the lease.

Operating lease expenses were as follows:

	2018	2017
Operating costs	\$ 28,079	26,310
Operating expenses	30,417	27,581
	<u>\$ 58,496</u>	<u>53,891</u>

The warehouse and office leases were entered into many years ago as combined leases of land and buildings. The Group determined that the land and building elements of the warehouse and offices leases are operating leases. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord, and therefore, it was considered an operating lease by the Group.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Employee benefits

(i) Defined benefit plans

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

	December 31, 2018	December 31, 2017
Net defined benefit liability	<u><u>\$ 38,075</u></u>	<u><u>26,669</u></u>

1) 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:

	2018	2017
Defined benefit obligation at January 1	\$ 26,669	20,915
Current service costs and interest	13,843	5,445
Remeasurements of the net defined benefit — liability		
— Actuarial gains and losses arising from changes in demographic assumptions	(1,680)	(132)
— Actuarial gains and losses arising from changes in financial assumptions	(1,797)	528
Benefit paid	(121)	(524)
Exchange differences on translation of foreign plans	1,161	437
Defined benefit obligation at December 31	<u><u>\$ 38,075</u></u>	<u><u>26,669</u></u>

2) Expenses recognized in profit or loss

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

	2018	2017
Current service costs	\$ 13,114	4,862
Net interest on the net defined benefit liability	729	583
Past service cost and gains and losses on settlement	(121)	(524)
	<u><u>\$ 13,722</u></u>	<u><u>4,921</u></u>

(Continued)

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) Remeasurements of the net defined benefit liability recognized under other comprehensive income

The Group's remeasurements of the net defined benefit liability recognized in other comprehensive income as of 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Cumulative amount at 1 January	\$ (3,700)	(4,179)
Recognized losses during this period	(3,477)	397
Translation effect	<u>(148)</u>	<u>82</u>
Cumulative amount at 31 December	<u><u>\$ (7,325)</u></u>	<u><u>(3,700)</u></u>

- 4) Actuarial assumptions

Assumptions used on calculating the present value of the defined benefit obligation as of December 31, 2018 and 2017 were as follow:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate at December 31	3.02 %	2.68 %
Future salary increases (employees paid monthly)	2.50 %	2.50 %
Future salary increases (employees paid daily)	3.00 %	3.00 %

There will be no expected contributions made by the Group to the defined benefit plans for the next annual reporting period.

The weighted average duration of the defined benefit plan is 14.07 year.

- 5) Sensitivity analysis for actuarial assumption

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2018 and 2017, the effect of changes in actuarial assumption on the present value of the defined benefit obligation was as follows:

	The effect of defined benefit obligation	
	<u>Increase1.00%</u>	<u>Decrease1.00%</u>
At December 31, 2018		
Discount rate (changes 1.00%)	(4,648)	5,652
Future salary adjustment rate (changes 1.00%)	5,601	(4,693)

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	The effect of defined benefit obligation	
	<u>Increase1.00%</u>	<u>Decrease1.00%</u>
At December 31, 2017		
Discount rate (changes 1.00%)	(3,171)	3,853
Future salary adjustment rate (changes 1.00%)	3,810	(3,196)

The above sensitivity analysis is analyzed based on the effect of changes in single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for sensitivity analysis and calculation of net pension liability is the same.

(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 this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method were \$734 and \$735 for 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

(i) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$3,919 and \$3,899 as of December 31, 2018 and 2017, respectively.

(n) Income taxes

The Company was incorporated in the Cayman Islands, where income tax is not required to be paid. Under the tax regulations of Thailand, the maximum statutory income tax rate applicable to Apex Circuit (Thailand) was 20% in 2018 and 2017. APEX II, a new factory for Apex Circuit (Thailand), was approved by the Board of Investment of Thailand to have an exemption period between May 12, 2014 and May 11, 2022; while APEX I received an extension and renewal on its exemption period between January 1, 2018 and December 31 2021. According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate of AET Taiwan Branch and the Company's Taiwan Branch from 17% to 20% is applicable upon filing their corporate income tax return. APC is subject to a maximum income tax rate of 25% in accordance with the Corporate Income Tax Law of the People's Republic of China.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Income tax expense

	<u>2018</u>	<u>2017</u>
Current tax expense		
Current period	\$ 886	27,816
Adjustment for prior periods	<u>5,704</u>	<u>(1,990)</u>
	<u>6,590</u>	<u>25,826</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>914</u>	<u>4,851</u>
Income tax expense from continuing operations	<u>\$ 7,504</u>	<u>30,677</u>

Income tax recognized under other comprehensive income for 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Items that will not reclassified into profit and loss		
Remeasurements of defined benefit liability	<u>\$ -</u>	<u>(30)</u>

Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Profit before income tax	<u>\$ 840,562</u>	<u>109,121</u>
Income tax calculated by a statutory tax rate applied by subsidiaries	\$ 175,254	25,321
Adjustment in accordance with tax law	1,551	16,922
Tax-exempt income	(174,989)	(9,576)
Over (under) provision in prior periods	5,704	(1,990)
Effect from change in income tax rate	<u>(16)</u>	<u>-</u>
Total	<u>\$ 7,504</u>	<u>30,677</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Tax losses	<u>\$ 18,789</u>	<u>12,496</u>

The ROC 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.

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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's estimated unused loss carry-forwards up to 2018 and 2017, were as follows:

Year of loss	Unused amount	Year of expiry
2014	\$ 10,032	2024
2015	21,859	2025
2016	20,213	2026
2017	21,401	2027
2018	20,441	2028
	<u>\$ 93,946</u>	

2) Recognized deferred tax assets and liabilities

Deferred tax liabilities:

	Fair value gains	Difference between tax purpose and financial reporting purpose for finance leases	Others	Total
Balance at January 1, 2018	\$ -	42,501	-	42,501
Recognized in profit or loss	-	2,135	-	2,135
Effect in exchange rate	-	1,606	-	1,606
Balance at December 31, 2018	<u>\$ -</u>	<u>46,242</u>	<u>-</u>	<u>46,242</u>
Balance at January 1, 2017	\$ 1,264	42,789	-	44,053
Recognized in profit or loss	(1,260)	(943)	-	(2,203)
Effect in exchange rate	(4)	655	-	651
Balance at December 31, 2017	<u>\$ -</u>	<u>42,501</u>	<u>-</u>	<u>42,501</u>

Deferred tax assets:

	Defined benefit plans	Unrealized impairment losses	Difference between tax purpose and financial reporting purpose for useful life of fixed assets	Others	Total
Balance at January 1, 2018	\$ 3,968	88	5,652	887	10,595
Recognized in profit or loss	1,621	(62)	9	(347)	1,221
Effect in exchange rate	175	-	209	27	411
Balance at December 31, 2018	<u>\$ 5,764</u>	<u>26</u>	<u>5,870</u>	<u>567</u>	<u>12,227</u>
Balance at January 1, 2017	\$ 3,972	5,186	5,279	3,050	17,487
Recognized in profit or loss	(95)	(5,075)	283	(2,167)	(7,054)
Recognised in other comprehensive loss	30	-	-	-	30
Effect in exchange rate	61	(23)	90	4	132
Balance at December 31, 2017	<u>\$ 3,968</u>	<u>88</u>	<u>5,652</u>	<u>887</u>	<u>10,595</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Examination and approval

The Company and AET are not required to pay income tax in the country in which it is incorporated, so there is no need to file an income tax return.

In Thailand, where Apex Circuit (Thailand) Co., Ltd. operates, income taxes do not require approval by the tax authority. Income taxes paid in prior years have received income tax receipts up to 2017. The income tax return of AET and the Company's Taiwan Branch had been approved by the revenue department through 2016. The income tax return of APC was declared through 2017.

(o) Share capital and other equity

As of December 31, 2018 and 2017, the total value of authorized common stock are \$2,000,000. Par value of each share is \$10 (dollars), and in total, there are 200,000 thousand authorized common shares, of which 170,230 thousand shares and 144,518 thousand shares were issued, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017, was as follows:

	Unit: Thousand shares	
	2018	2017
Balance at January 1	\$ 144,518	122,595
Issuance of shares through capitalization of earnings	-	3,923
Issuance of shares through cash injection	-	18,000
Conversion of convertible bonds	25,712	-
Balance at December 31	<u>\$ 170,230</u>	<u>144,518</u>

(i) Issuance of common stock

In the year ended December 31, 2018, second convertible bondholders had the right to convert bonds into common stock with a conversion price of \$35.30 (dollars), and no bonds were converted.

In the year ended December 31, 2017, second convertible bondholders had the right to convert bonds into common stock with a conversion price of \$38.20 (dollars), \$36.00 (dollars) and \$35.30 (dollars), respectively, and no bonds were converted.

In the year ended December 31, 2018, third convertible bondholders had the right to convert bonds into common stock with a conversion price of \$21.50 (dollars), and of which 25,712 shares were converted at par value, amounting to \$257,115 (dollars). Registration processes in relation to the bond conversion have been completed.

The issuance of new shares through capitalization of earnings was approved during the annual meeting of the shareholders held on June 15, 2017, issuing 3,923 thousand shares, with a face value of \$10 per share, totaling \$39,230 thousands. The record date for issuance of new shares was set on July 28, 2017, and the registration procedures had been completed.

(Continued)

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Following the resolution of the board of directors' meeting held on May 10, 2017, the Company decided to issue new shares comprising 18,000 thousand common shares for \$10 (dollars) per share. This cash injection was approved by the Financial Supervisory Commission, with Ruling No. 1060025738 on July 19, 2017. Following the resolution of the board of directors' meeting, the Company decided to issue new shares at a premium, at \$19.5 (dollars) per share, totaling \$351,000. The cash proceeds from the issuance of new shares were \$351,000 in total, and the Company collected \$348,220 after deducting the issuance costs of \$2,780. The collection of \$348,220 included common stock amounting to \$180,000 and an additional paid-in capital arising from common stock amounting to \$168,220, recorded under "capital surplus". The record date for issuance of new shares was set on September 20, 2017, wherein the amount had fully been received in cash and the registration procedures had been completed.

(ii) Capital surplus

The balance of capital surplus was as follows:

	December 31, 2018	December 31, 2017
Premium on capital stock	\$ 1,854,825	1,564,799
Donation by shareholders	27,067	27,067
Issuance of convertible bonds—stock warrant	62,223	60,057
Gain or loss on entity's disposition of equity of the subsidiary	333	333
	<u><u>\$ 1,944,448</u></u>	<u><u>1,652,256</u></u>

According to the amendment of the Company's articles of association which was approved by the shareholders' meeting held on June 2, 2015, provided that the Company has no accumulated losses, the Company may, with a proposal by the board of directors and approval by a supermajority of shareholders in an annual general meeting, capitalize any sum (in part or whole) for the time being standing to the credit of any of the Company's capital surplus which arises out of the share premium and donations to the Company by applying such sum in paying up new shares to be credited as fully paid stock dividends to the shareholders in proportion to their then shareholdings.

(iii) Retained earnings

According to the amendment of the Company's articles of association which was approved by the shareholders' meeting held on June 2, 2015, the annual net income after paying income tax and offsetting prior years' accumulated deficit (if any) will be distributed in accordance with the regulations for special reserve, and the remaining distribution of earnings should be based on the following percentages:

- 1) Employees' bonus of 2% maximum.
- 2) Remuneration to directors and supervisors of 2% maximum.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) Shareholders' dividend should not be lower than 10%, and its distribution should be based on the proportion of shares held by each shareholder. Board of Director should consider the actual operating conditions, future capital expenditures or other operating related significant matter in proposing the distribution of the unappropriated retained earnings in the beginning of the year.

When employees' bonus is distributed by issuing stock, the employees of the Company's subsidiaries who meet certain criteria are eligible to receive a bonus. The Company is not obliged to pay any interest on an undistributed dividend or bonus.

(iv) Special reserve

In accordance with Chin Kuan Cheng Fa No. 1010012865 issued on April 6, 2012, the Company shall set aside a special reserve equal to the net balance of other deductions in shareholders' equity in the current period from net income in the current period and prior unappropriated retained earnings before earnings distribution. The special reserve set aside based on the deductions in shareholders' equity that resulted from prior periods cannot be distributed to shareholders. The Company can distribute the special reserve only up to the amount of the reversal of such deductions.

The Company decided to record a special reserve of \$0 and \$86,783 based on the resolution of the shareholders' meeting held on June 15, 2018 and 2017, respectively.

(v) Distribution of earnings

For the years ended December 31, 2018 and 2017, the Company proposed to set aside no more than 2% of distributable profit for its remuneration to employees, directors, and supervisor based on the Company's articles of incorporation. The difference between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, is accounted for as a change in accounting estimate, and recognized as profit or loss in the year of earnings distribution.

A resolution was approved during the shareholders' meeting on June 15, 2018 not to distribute any 2017 earnings in 2018. Therefore, the difference of \$720 between the decision to not distribute the earnings, and the Company's estimation of its remuneration to employees, directors, and supervisors recognized in the financial statements for 2017 will be adjusted in the Company's profit or loss in 2018.

The Company decided to distribute the cash dividend of \$95,624 thousands and stock dividend of \$39,230 thousands, with the par value of \$0.78 per share and \$0.32 per share, respectively, to its stockholders based on the resolution of the shareholders' meeting held on June 15, 2017. In 2016, the total retained earnings distribution amounted to \$134,854 thousands. The amount distributed as employee remuneration, as well as remuneration to directors and supervisors were \$0 and \$720, respectively. There were no differences between the amounts distributed and the amounts recognized in the financial statements.

The related information about earnings distribution for 2017 and 2016 is available on the Market Observation Post System website.

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Notes to the Consolidated Financial Statements

(p) Earnings per share

The calculation of basic and diluted earnings per share (EPS) was as follows:

	Unit: Thousand shares	
	2018	2017
Basic EPS:		
Net income	\$ <u>829,425</u>	<u>78,000</u>
Weighted-average number of common shares outstanding	<u>152,117</u>	<u>131,597</u>
Basic EPS (New Taiwan dollars)	\$ <u>5.45</u>	<u>0.59</u>
Diluted EPS:		
Net income	\$ 829,425	78,000
Influence of dilutive expenses	<u>14,303</u>	<u>-</u>
Net income for calculating diluted EPS	\$ <u>843,728</u>	<u>78,000</u>
Weighted-average number of common shares outstanding	152,117	131,597
Conversion of convertible bonds	<u>18,931</u>	<u>-</u>
Weighted-average number of common shares outstanding — diluted	<u>171,048</u>	<u>131,597</u>
Diluted EPS (New Taiwan dollars)	\$ <u>4.93</u>	<u>0.59</u>

For the year ended December 31, 2017, the Group did not include its convertible bonds in the calculation of diluted earnings per share since those convertible bonds have antidilutive effect.

(q) Revenues from contracts with customers

(i) Disaggregation of revenue

	2018
Primary geographical markets:	
Thailand	\$ 2,387,025
Samoa	2,084,778
Singapore	1,742,674
Others	<u>4,960,621</u>
	\$ <u>11,175,098</u>
Main product/service line:	
Double-layer PCB sales	\$ 2,101,774
Multi-layer PCB sales	9,087,003
Others	31,561
Less: Sales allowances	<u>(45,240)</u>
	\$ <u>11,175,098</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For revenues for the year ended December 31, 2017, please refer to notes 6(r)

(ii) Remaining balances of contracts

	December 31, 2018	January 1, 2018
Accounts receivables	\$ 3,646,085	3,079,896
Less: Loss allowance	<u>(2,096)</u>	<u>(1,790)</u>
Total	<u><u>\$ 3,643,989</u></u>	<u><u>3,078,106</u></u>

(r) Revenue

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

	2017
Sale of goods	\$ 10,408,977
Less: sales returns and sales allowances	(37,342)
Other operating revenue	<u>23,688</u>
Total	<u><u>\$ 10,395,323</u></u>

(s) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

	2018	2017
Interest income	\$ 4,798	980
Income from cancellation of orders	19,554	12,970
Others	<u>15,538</u>	<u>5,552</u>
	<u><u>\$ 39,890</u></u>	<u><u>19,502</u></u>

(ii) Other gains and losses

The details of other gains and losses are as follows:

	2018	2017
Loss on disposal of property, plant and equipment	\$ (19,930)	(2,696)
Foreign exchange gain, net	81,708	125,286
Valuation gain (loss) on financial assets (liabilities), net	8,221	(9,007)
Impairment loss	<u>(896)</u>	<u>(483)</u>
	<u><u>\$ 69,103</u></u>	<u><u>113,100</u></u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance cost

The details of finance cost are as follows:

	<u>2018</u>	<u>2017</u>
Interest expense on loans from banks	\$ 85,390	103,378
Less: interest expense capitalized	(1,016)	(2,251)
Amortization of discount on bonds payable	<u>18,596</u>	<u>13,238</u>
	<u><u>\$ 102,970</u></u>	<u><u>114,365</u></u>

(t) Financial instruments

(i) Credit risk

1) Risk exposure

The book value of financial assets represents the maximum risk exposure. The maximum risk exposure amounts were \$4,109,783 and \$3,400,379 as at December 31, 2018 and 2017, respectively.

2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. These factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances. The Group's accounts receivable are obviously concentrated on three main customers, which accounted for 46% and 35% of the total amount of notes and accounts receivable as of December 31, 2018 and 2017. As of December 31, 2018 and 2017, the Group's accounts receivable concentrated on three main customers were \$1,685,888 and \$1,203,180, respectively.

3) Credit risk of accounts receivable

Please refer to note 6(c) for information on credit risk of accounts receivable; and note 6(d) for details of other receivables.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the maturity of the financial liabilities including estimated interest:

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	More than 2 years
December 31, 2018					
Non-derivative financial liabilities					
Secured bank loans	\$ 509,922	540,572	281,717	159,729	99,126
Unsecured bank loans	1,624,360	1,644,400	1,300,191	344,209	-
Finance lease liabilities	272,283	284,478	158,269	95,497	30,712
Convertible bonds payable (including put option)	654,595	654,595	609,649	-	44,946
Accounts payable (including payables on equipment)	2,512,374	2,512,374	2,512,374	-	-
Other payables	329,695	329,695	329,695	-	-
Long-term payable	21,771	21,771	-	21,771	-
Derivative financial liabilities					
Other forward contract—					
Outflow	191	191	191	-	-
	<u>\$ 5,925,191</u>	<u>5,988,076</u>	<u>5,192,086</u>	<u>621,206</u>	<u>174,784</u>
December 31, 2017					
Non-derivative financial liabilities					
Secured bank loans (including FV adjustment)	\$ 665,732	711,746	339,631	228,196	143,919
Unsecured bank loans	2,097,634	2,136,980	1,457,174	615,184	64,622
Finance lease liabilities	430,162	456,607	182,260	152,633	121,714
Convertible bonds payable (including put option)	596,110	596,110	-	596,110	-
Accounts payable (including payables on equipment)	2,479,339	2,479,339	2,479,339	-	-
Other payables	318,694	318,694	318,694	-	-
Long-term payable	64,575	64,575	-	64,457	118
Derivative financial liabilities					
Other forward contract—					
Outflow	172	172	172	-	-
	<u>\$ 6,652,418</u>	<u>6,764,223</u>	<u>4,777,270</u>	<u>1,656,580</u>	<u>330,373</u>

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial assets						
Monetary items						
USD	105,588	30.65	3,235,920	88,261	29.76	2,626,961
Financial liabilities						
Monetary items						
USD	85,334	30.94	2,640,596	114,351	30.03	3,434,003

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables that are denominated in foreign currency.

A 5% strengthening of the NTD against the USD as at December 31, 2018 and 2017, would have decreased and increased net profit before tax for the years ended December 31, 2018 and 2017, by \$30,000 and \$40,000, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

3) Exchange gains and losses on monetary items

Due to the numerous type of functional currency of the Group, the Group disclose its exchange gains and losses of monetary items aggregately. The Company's exchange gains, including realized and unrealized, were \$81,708 and \$125,286 for the years ended December 31, 2018 and 2017, respectively.

(iv) Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rate risk for derivative and non-derivative financial instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year ended at the reporting date. The Group internally reported the increases / decreases in interest rates and the exposure to changes in interest rates of 0.25% to the Group's key management so as to allow key management to assess the reasonableness of the changes in interest rates.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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If the interest rate had increased / decreased by 0.25%, the Group's net income would have decreased / increased by \$2,118 and \$3,921 for the years ended December 31, 2018 and 2017, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates.

(v) Fair value information

1) Categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss are measured at fair value on a recurring basis. The book value and the fair value of financial assets and financial liabilities, including fair value hierarchy disclosures (excluding financial instruments in which their book value are not measured at fair value, but represent a reasonable approximation of their fair value, or when an equity instrument investment does not have a quoted market price in an active market and its fair value cannot be reliably measured, as disclosure for such instruments is not required), are as follows:

	December 31, 2018				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets — current	\$ 4,401	-	4,401	-	4,401
Financial assets measured at amortized cost					
Cash and cash equivalents	410,268	-	-	-	-
Accounts receivables	3,643,989	-	-	-	-
Other receivables	42,988	-	-	-	-
Refundable deposits	8,137	-	-	-	-
Subtotal	4,105,382	-	-	-	-
Total	\$ 4,109,783	-	4,401	-	4,401

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December 31, 2018					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities—current	\$ 191	-	191	-	191
Financial liabilities measured at amortized cost					
Bank loans	2,134,282	-	-	-	-
Accounts payable	2,283,616	-	-	-	-
Other payables	329,695	-	-	-	-
Payable for machinery and equipment	228,758	-	-	-	-
Finance lease liabilities	272,283	-	-	-	-
Convertible bonds payable	654,595	-	-	-	-
Long-term payable	21,771	-	-	-	-
Subtotal	5,925,000	-	-	-	-
Total	\$ 5,925,191	-	191	-	191
December 31, 2017					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets—current	\$ 378	-	378	-	378
Financial assets measured at amortized cost					
Cash and cash equivalents	247,564	-	-	-	-
Accounts receivables	3,078,106	-	-	-	-
Other receivables	66,075	-	-	-	-
Restricted bank deposits	20,894	-	-	-	-
Refundable deposits	8,256	-	-	-	-
Subtotal	3,420,895	-	-	-	-
Total	\$ 3,421,273	-	378	-	378

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	December 31, 2017				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities — current	\$ 172	-	172	-	172
Financial liabilities measured at amortized cost					
Bank loans	2,763,366	-	-	-	-
Accounts payable	2,186,430	-	-	-	-
Other payables	318,694	-	-	-	-
Payable for machinery and equipment	292,909	-	-	-	-
Finance lease liabilities	430,162	-	-	-	-
Convertible bonds payable	596,110	-	-	-	-
Long-term payable	64,575	-	-	-	-
Subtotal	6,652,246	-	-	-	-
Total	\$ 6,652,418	-	172	-	172

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

- i) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: cash and cash in bank, accounts receivable (including related parties), other receivables and payables (including related parties), refundable deposits, short-term loans, and payables for machinery and equipment.
- ii) The fair value of convertible bonds is estimated using a valuation model, but the fair value of convertible bonds is not necessarily equal to future cash outflow.
- iii) Fair value of long-term debt, finance lease payable, and long-term payable is estimated using the present value of future cash flows discounted by the interest rates the Group may obtain for similar loans and lease payable. However, long-term debt is recognized by its book value because most of it has floating rates. Finance lease payable is calculated based on the fixed rate agreed in the lease contract. Long-term payable is calculated based on the weighted-average cost of capital (WACC). There were no significant differences between book value and discounted present value. Thus, long-term payable is recognized by book value.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b) Derivative financial instruments

Derivative financial instruments were mainly estimated by valuation models widely accepted by market users, such as the discount method. Forward exchange contracts were usually estimated by the current forward exchange rates of the transaction banks. The fair value of convertible bond options, redemption rights, and put options was estimated using an external expert's valuation reports.

(u) Financial risk management

(i) Overview

The Group has exposure to the following risks arising from financial instruments:

1. Credit risk.
2. Liquidity risk.
3. Market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please see other related notes for quantitative information.

(ii) Risk management framework

The Group's management monitors risk exposure, risk control, and the managing process and ensures appropriate handling to balance the risk and control.

The Group minimizes the risk exposure through derivative financial instruments. The management of the finance department regulates the use of derivative and non-derivative financial instruments in accordance with the Group's policy in consideration of the risks arising from financial instruments such as credit risk, currency risk, and interest rate risk to which the Group is exposed. The Group has no transactions involving financial instruments (including derivative financial instruments) for the purpose of speculation.

The finance department reports the results of derivative financial instruments to the board of directors on a quarterly basis.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank deposits.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Receivables and other receivables

The finance department and business department have established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes financial statement analysis, external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and need to be approved according to the Group's authorization limit. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

2) Investments

The credit risk exposure of the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since the Group's counterparties are banks with good credit standing, there is no significant default risk and therefore no significant credit risk.

3) Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. For information on guarantees as of December 31, 2018 and 2017, please refer to note 13.

(iv) Liquidity risk

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

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group'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.

The Group buys and sells derivatives, and also incurs financial assets and financial liabilities, in order to manage market risks. All such transactions are carried out within the scope of the Group's internal control policy. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than New Taiwan dollar (TWD) which is the functional currency of the Company. The functional currency of subsidiaries are the Thai Baht (THB) and Ren Min Bi (CNY). The currencies used in these transactions are the THB, USD, CNY and TWD.

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

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(v) Capital management

The Group manages capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of 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 to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is debt divided by equity. Debt is derived from the total liabilities on the balance sheet. Equity includes share capital, capital surplus, retained earnings and other equity.

As at December 31, 2018, the Group's capital management strategy was consistent with the prior year as at December 31, 2017. The Group has to maintain the debt-to-equity ratio at a certain level according to the criteria set by a lender. The Group's debt-to-equity ratio as at December 31, 2018 and 2017, was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	\$ <u>6,132,452</u>	<u>6,827,761</u>
Total equity	\$ <u>5,981,293</u>	<u>4,379,472</u>
Debt-to-equity ratio	<u>102.53 %</u>	<u>155.90 %</u>

The debt-to-equity ratio as of December 31, 2018 and 2017 was within the limit set by the lender.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The quantitative data for Apex Circuit (Thailand), a subsidiary of the Company, used as a capital management tool in the relevant periods are summarized below:

	Unit: thousands of THB	
	December 31, 2018	December 31, 2017
Total liabilities	\$ <u>5,633,925</u>	<u>5,955,899</u>
Total equity	\$ <u>6,924,152</u>	<u>6,211,785</u>
Debt-to-equity ratio	<u>81.37 %</u>	<u>95.88 %</u>

Apex Circuit (Thailand)'s debt-to-equity ratio has been maintained within the scope of the loan contracts.

(w) Non-cash investing and financing activities

For the years ended December 31, 2018 and 2017, the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment through finance leasing, as well as the conversion of convertible bonds into common stock. Please refer to notes 6(j), (k) and (o) for related information.

Reconciliation of liabilities from financing activities are as follows:

	January 1, 2018	Cash flows	Non-cash changes			December 31, 2018
			Purchase	Translation effect	Fair value changes	
Long-term loans	\$ 1,568,318	(749,853)	-	28,647	-	847,112
Short-term loans	1,195,048	48,058	-	44,064	-	1,287,170
Finance lease liabilities	430,162	(170,833)	-	12,954	-	272,283
Total liabilities from financing activities	\$ <u>3,193,528</u>	<u>(872,628)</u>	<u>-</u>	<u>85,665</u>	<u>-</u>	<u>2,406,565</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(7) Related-party transactions:

(a) Parent Company and ultimate controlling party

Apex International Co., Ltd. is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Shye Feng Enterprise (Thailand) Co., Ltd.	The entity's chairman is the second immediate family of the chairman of the Company
Wang Shu Mu	Management of the Company

(c) Significant transactions with related parties

(i) Payables

The amounts of payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other payables	Other related parties	\$ <u>33</u>	<u>64</u>

(ii) Guarantee

For the years ended December 31, 2018 and 2017, management of the Company provided credit guarantees to the Group for short-term and long-term loans.

(iii) Leases

The rental expenses for office premises leased from other related parties under operating agreements were as follows:

	<u>2018</u>	<u>2017</u>
Other related parties	\$ <u>621</u>	<u>754</u>

The lease terms with related parties were not significantly different from those offered by other vendors.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	\$ 33,250	27,342
Post-employment benefits	398	957
Other long-term benefits	(1)	(4)
	<u>\$ 33,647</u>	<u>28,295</u>

(8) Pledged assets:

Pledged assets	Object	December 31, 2018	December 31, 2017
Other financial assets			
— non-current:			
Restricted bank deposits	Long-term loans	\$ -	20,894
Property, plant, and equipment:			
Land	Long-term and short-term loans	226,286	218,227
Buildings	Long-term and short-term loans	1,259,116	1,241,361
Machinery and equipment	Long-term and short-term loans, liabilities under finance leases, and electricity guarantee	1,811,885	1,801,274
Office equipment	Long-term and short-term loans	28,426	29,100
Total		<u>\$ 3,325,713</u>	<u>3,310,856</u>

(9) Significant commitments and contingencies:

(a) The Group did not recognize the following contract agreements in the financial statements:

	December 31, 2018	December 31, 2017
Acquiring property, plant and equipment	\$ 97,037	58,675
Long-term commitments	45,205	88,748
Total	<u>\$ 142,242</u>	<u>147,423</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) The Group had outstanding letters of credit as follows:

	December 31, 2018	December 31, 2017
Letters of credit	\$ <u>125,301</u>	<u>123,940</u>

- (c) Guarantees provided by banks were as follows:

	December 31, 2018	December 31, 2017
Electricity guarantee	\$ 77,304	70,901
Raw material purchase guarantee	4,866	18,966
Total	\$ <u>82,170</u>	<u>89,867</u>

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

- (a) A summary of personnel costs, depreciation, depletion and amortization is as follows:

Function Account	2018			2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	1,358,108	213,990	1,572,098	1,196,733	188,612	1,385,345
Health insurance	-	1,261	1,261	-	1,213	1,213
Pension	8,438	6,018	14,456	3,068	2,588	5,656
Remuneration to directors	-	-	-	-	720	720
Other personnel expense	137,738	59,594	197,332	127,620	85,202	212,822
Depreciation	624,737	34,742	659,479	583,744	30,977	614,721
Depletion	-	-	-	-	-	-
Amortization	4,691	6,130	10,821	2,830	5,274	8,104

Note: For the years ended December 31, 2018 and 2017, amortized deferred revenue amounting to \$30 and \$29, respectively, was excluded from the depreciation.

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APEX INTERNATIONAL CO., LTD.
Notes to Consolidated Interim Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2018:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	The Company	Apex Circuit (Thailand)	(Note 1)	17,943,879 (Note 2)	5,004,337	4,718,925	1,880,118	-	78.89 %	17,943,879 (Note 3)	Y	N	N

Note 1: Apex Circuit (Thailand) is a more than 50% directly owned equity investee of the Company.

Note 2: The guarantee limit shall not be applied when the Company directly or indirectly owns more than 90% of the investee's equity. However the guarantee amount is still limited to 300%.

Note 3: The overall guarantee amount provided to others shall not exceed 300% of the net worth of the Company's latest financial statements.

Note 4: The guarantee limit for the guarantee provided to any individual company shall not exceed 50% of Apex Circuit (Thailand)'s net worth or 30% of the net worth of the guaranteed company, whichever is lower.

Note 5: Total amount of the guarantee provided by Apex Circuit (Thailand) is limited to 50% of its net worth.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): None.

(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:

Company name	Counterparty	Nature of relationship (note 2)	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remarks
			Purchase /Sale	Amount	Percentage of total purchases (sales) (%)	Credit terms (days)	Unit price	Payment terms	Ending balance of notes and accounts receivable (payable)	Percentage of total notes and accounts receivable (payable) (%)	
Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd.	3	Sales	126,555	100 %	Note 1	-	-	39,957	100 %	Note 3

Note 1: There were no significant differences between the terms of transactions with related parties and those carried out with other normal clients.

Note 2: 1. Parent company to subsidiary company.

2. Subsidiary company to parent company.

3. Subsidiary company to subsidiary.

Note 3: Related-party transactions have been eliminated in the preparation of the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

(ix) Information regarding trading in derivative financial instruments: None. 6(b) and (i)

(Continued)

APEX INTERNATIONAL CO., LTD.
Notes to Consolidated Interim Financial Statements

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd	3	Sales	126,555	No significant differences	1.13%
2	Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd	3	Accounts receivable	39,957	No significant differences	0.33%

Note 1: 1. 0 represents parent company.

2. 1 and thereafter represent subsidiary companies.

Note 2: 1. Parent company to subsidiary company.

2. Subsidiary company to parent company.

3. Subsidiary company to subsidiary company

Note 3: Transactions between subsidiaries have been eliminated during preparation of the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value (Notes 1 and 2)			
Apex International Co., Ltd	Apex Circuit (Thailand) Co., Ltd	Thailand	PCB (printed circuit board) manufacturing and sales	3,311,762	3,311,762	143,194	99.58 %	6,544,111	864,913	861,280	
Apex International Co., Ltd	Approach Excellence Trading Ltd	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	10,699	3,794	4,156	

Note 1: Long-term investment and investment gains and losses have been recognized by the equity method based on the financial statements of the investee companies audited by auditors.

Note 2: The long-term investment and investment gains or losses have been eliminated in the preparation of the consolidated financial statements.

(c) Information on investment in mainland China:

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

Unit: in thousands of dollars

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2018 (Note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (Note 4)	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses) (Notes 2 and 3)	Book value (Notes 2 and 3)	Accumulated remittance of earnings in current period
					Outflow (Note 4)	Inflow (Note 4)						
Apex Electronics (Shen Zhen) Co., Ltd	Import/export of PCB (printed circuit board)	24,003 (CNY5,000)	2	-	-	-	-	(21) (CNY(5))	99.58 %	(21) (CNY(5))	1,306 (CNY288)	-

Note 1: Investment methods are divided into the following three kinds

(1) Direct investment in Mainland China.

(2) Direct investment in Thailand (Apex Circuit Co., Ltd.) prior to investing in China.

(3) Other methods.

Note 2: Long-term investment and investment gains and losses have been recognized by using the equity method based on the financial statements of the investee companies audited by auditors.

Note 3: Long-term investment and investment gains or losses have been eliminated in the preparation of the consolidated financial statements.

Note 4: The Company is not a Taiwan local company, so no investment amount is shown.

Note 5: The book value at end of year are calculated by using the exchange rate on December 31, 2018 (BS exchange rate CNY:TWD=1:4.5403). The net income (loss) of the investee company and investment gains (losses) recognized by the parent company are calculated by the average exchange rate (IS exchange rate CNY:TWD=1:4.5639.)

(ii) Limitation on investment in Mainland China: None.

(iii) Significant transactions: None.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group has a reportable segment, Thailand, which manufactures and sells PCBs. The Group's reportable segment is a regional business unit. Because each regional business unit requires different technology and marketing strategies, they need to be managed separately. The Group did not allocate income tax expense to reportable segments. Each reportable segment's profit or loss included depreciation expenses, amortization expenses, and all other material non-cash items. The amount reported should be consistent with the report used by the chief operating decision maker. The accounting policies of the operating segments are the same as described in Note (4) significant accounting policies. The Group's operating segments' profits and losses are measured based on the income before income tax, and used as the basis for assessing the segments' performance.

"Others" operating segments of the Group include one company engaging in sales of materials for PCBs and one holding company, both of which have not exceeded the quantitative thresholds to disclose for the years ended December 31, 2018 and 2017.

December 31, 2018				
	Thailand	Others	Adjustments and eliminations	Consolidated
Revenue:				
Revenue from external customers	\$ 11,175,098	-	-	11,175,098
Revenue from transactions with other operating segments	-	126,555	(126,555)	-
Total revenue	<u>\$ 11,175,098</u>	<u>126,555</u>	<u>(126,555)</u>	<u>11,175,098</u>
Interest expense	<u>\$ 72,706</u>	<u>30,264</u>	<u>-</u>	<u>102,970</u>
Depreciation and amortization	<u>\$ 669,958</u>	<u>342</u>	<u>-</u>	<u>670,300</u>
Segment's profit or loss	<u>\$ 871,469</u>	<u>(31,269)</u>	<u>362</u>	<u>840,562</u>
Segment's assets	<u>\$ 11,917,560</u>	<u>266,345</u>	<u>(42,558)</u>	<u>12,141,347</u>
December 31, 2017				
	Thailand	Others	Adjustments and eliminations	Consolidated
Revenue:				
Revenue from external customers	\$ 10,392,707	2,616	-	10,395,323
Revenue from transactions with other operating segments	2,468	186,336	(188,804)	-
Total revenue	<u>\$ 10,395,175</u>	<u>188,952</u>	<u>(188,804)</u>	<u>10,395,323</u>
Interest expense	<u>\$ 83,497</u>	<u>30,868</u>	<u>-</u>	<u>114,365</u>
Depreciation and amortization	<u>\$ 622,151</u>	<u>674</u>	<u>-</u>	<u>622,825</u>
Segment's profit or loss	<u>\$ 138,606</u>	<u>(29,264)</u>	<u>(221)</u>	<u>109,121</u>
Segment's assets	<u>\$ 11,135,717</u>	<u>163,065</u>	<u>(67,669)</u>	<u>11,231,113</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Product and service information

The Group operates in a single industry: manufacturing and selling printed circuit boards. Hence, the disclosure of business segment information is not required.

(c) Geographic financial information

Export sales revenue by country is based on the billing location of the customer, and non-current assets by location are based on where the assets are located. The information is as follows:

Export sales

Region	2018	2017
Thailand	\$ 2,387,025	2,151,998
Samoa	2,084,778	1,755,908
Singapore	1,742,674	1,501,374
Others	4,960,621	4,986,043
Total	<u>\$ 11,175,098</u>	<u>10,395,323</u>

Non-current assets:

Region	December 31, 2018	December 31, 2017
Taiwan	\$ 254	516
Thailand	6,305,119	6,356,520
Total	<u>\$ 6,305,373</u>	<u>6,357,036</u>

Non-current assets include property, plant and equipment, intangible assets, and prepayment for equipment, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Information on major customers

Revenue on major customers for more than 10% of the Group's total revenue are as follows:

	2018	2017
A customer from Thailand segment	<u>\$ 2,249,355</u>	<u>2,408,419</u>
B customer from Thailand segment	<u>\$ 2,084,778</u>	<u>1,755,908</u>
C customer from Thailand segment	<u>\$ 1,003,882</u>	<u>1,079,371</u>