

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

Consolidated Financial Statements

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

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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, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most 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(s) 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. Subsequent measurements of inventories

Please refer to note 4(h) "Inventories" for accounting policy related to subsequent measurements of inventories, note 5 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, 2019 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 Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2020

Notes to Readers

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

The independent auditors' 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 Originally Issued in Chinese)
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018			December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
11xx Cash and cash equivalents (note 6(a))	\$	299,901	3	410,268	21xx Short-term loans (notes 6(f), (i), 7, 8 and 9)	\$	899,218	8	1,287,170
1100 Financial assets measured at fair value through profit or loss – current					2100 Financial liabilities measured at fair value through profit or loss – current				
1110 (notes 6(b), (k) and (q))		3,474	-	4,401	2120 (note 6(b))		3,290	-	191
1170 Accounts receivable, net (notes 6(c) and (s))		2,871,444	25	3,643,989	2170 Accounts payable		1,366,881	12	2,283,616
1200 Other receivables (note 6(d))		35,726	-	42,988	2200 Other payables (note 7)		385,148	3	427,934
130x Inventories (notes 6(e) and 9)		1,800,906	15	1,652,363	2213 Payable for machinery and equipment		212,591	2	228,758
1479 Other current assets		58,044	-	61,431	2230 Current tax liabilities		-	-	872
Total current assets		5,069,495	43	5,815,440	2280 Current lease liabilities (notes 3(a), 6(f), (g), (i), (m), 7, and 8)		145,310	1	149,677
Non-current assets:					2321 Current portion of convertible bonds payable (notes 6(k) and (q))		17,797	-	609,649
15xx Financial asset measured at fair value through profit or loss – non-current					2322 Current portion of long-term loans (notes 6(f), (j), 7, and 8)		422,093	4	262,348
1510 (notes 6(b), (k) and (q))		-	-	170	2399 Other current liabilities		19,393	-	19,883
1600 Property, plant and equipment (notes 3(a), 6(f), (g), (h), (i), (j), (l), (m), 8 and 9)		6,067,841	52	6,260,130	Total current liabilities		3,471,721	30	5,270,098
1755 Right-of-use asset (notes 3(a), 6(f), (g), (i), 7 and 8)		500,985	4	-	Non-Current liabilities:				
1780 Intangible assets (notes 6(f) and (h))		34,924	-	37,879	25xx Convertible bonds payable (notes 6(k) and (q))		-	-	44,946
1840 Deferred tax assets (note 6(p))		16,109	-	12,227	2530 Long-term loans (notes 6(f), (j), 7, and 8)		679,451	6	584,764
1915 Prepayment for equipment		22,157	-	7,364	2540 Deferred tax liabilities (note 6(p))		52,180	-	46,242
1920 Refundable deposits		7,928	-	8,137	2570 Non-current lease liabilities (notes 3(a), 6(f), (g), (l), (m), 7, and 8)		99,050	1	122,606
1960 Prepayment for investment (notes 4(c) and 7)		83,251	1	-	2580 Non-current payable		11,033	-	21,771
1980 Other financial assets – non-current (notes 6(a), (j) and 8)		6,202	-	-	2612 Long-term payable		49,968	-	42,025
Total non-current assets		6,739,397	57	6,325,907	2670 Other non-current liabilities (notes 6(m), and (o))		891,682	-	862,354
					Total non-current liabilities		4,363,403	37	6,132,452
					Total liabilities				
					2xxx Equity attributable to owners of parent (notes 6(k), (p) and (q)):				
					31xx Common stock		1,890,409	16	1,702,295
					3110 Capital surplus		2,396,626	20	1,944,448
					3200 Retained earnings		2,697,167	23	2,331,889
					3300 Exchange differences on translation of foreign financial statements		428,276	4	2,661
					3410 Total equity attributable to owners of parent		7,412,478	63	5,981,293
					36xx Non-controlling interests		33,011	-	27,602
					3xxx Total equity		7,445,489	63	6,008,895
					2-3xxx Total liabilities and equity		11,808,892	100	12,141,347
Total assets	\$	11,808,892	100	12,141,347	Total liabilities and equity	\$	11,808,892	100	12,141,347

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(s))	\$ 10,387,249	100	11,175,098	100
5000	Operating costs (notes 6(e), (f), (g), (h), (l), (m), (n), and (o))	<u>8,417,242</u>	<u>81</u>	<u>9,354,427</u>	<u>84</u>
5900	Gross profit from operations	<u>1,970,007</u>	<u>19</u>	<u>1,820,671</u>	<u>16</u>
6000	Operating expenses (notes 6(c), (f), (g), (h), (l), (m), (n), (o), (q), and 7):				
6100	Selling expenses	589,868	6	528,797	5
6200	Administrative expenses	503,086	5	457,099	4
6300	Research and development expenses	17,694	-	-	-
6450	Expected credit loss	<u>18,570</u>	<u>-</u>	<u>236</u>	<u>-</u>
	Total operating expenses	<u>1,129,218</u>	<u>11</u>	<u>986,132</u>	<u>9</u>
6900	Operating income	<u>840,789</u>	<u>8</u>	<u>834,539</u>	<u>7</u>
7000	Non-operating income and expenses (notes 6(b), (f), (k), (l), (m), (t), and 7):				
7010	Other income	19,026	-	39,890	-
7020	Other gains and losses	56,389	1	69,103	1
7050	Finance costs	<u>(70,299)</u>	<u>(1)</u>	<u>(102,970)</u>	<u>(1)</u>
	Total non-operating income and expenses	<u>5,116</u>	<u>-</u>	<u>6,023</u>	<u>-</u>
7900	Profit from continuing operations before tax	845,905	8	840,562	7
7951	Less: Income tax expenses (note 6(p))	<u>15,255</u>	<u>-</u>	<u>7,504</u>	<u>-</u>
8200	Profit	<u>830,650</u>	<u>8</u>	<u>833,058</u>	<u>7</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss (notes 6(o) and (p))				
8311	Gains (losses) on remeasurements of defined benefit plans	3,491	-	3,477	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>3,478</u>	<u>-</u>	<u>3,477</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	427,410	4	220,556	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>427,410</u>	<u>4</u>	<u>220,556</u>	<u>2</u>
8300	Other comprehensive income	<u>430,888</u>	<u>4</u>	<u>224,033</u>	<u>2</u>
8500	Total comprehensive income	<u>\$ 1,261,538</u>	<u>12</u>	<u>1,057,091</u>	<u>9</u>
	Profit, attributable to:				
8610	Owners of parent	\$ 827,051	8	829,425	7
8620	Non-controlling interests	<u>3,599</u>	<u>-</u>	<u>3,633</u>	<u>-</u>
		<u>\$ 830,650</u>	<u>8</u>	<u>833,058</u>	<u>7</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 1,256,129	12	1,052,514	9
8720	Non-controlling interests	<u>5,409</u>	<u>-</u>	<u>4,577</u>	<u>-</u>
		<u>\$ 1,261,538</u>	<u>12</u>	<u>1,057,091</u>	<u>9</u>
	Basic earnings per share (expressed in New Taiwan dollars) (note 6(r))				
9750	Basic earnings per share	<u>\$ 4.46</u>		<u>5.45</u>	
9850	Diluted earnings per share	<u>\$ 4.37</u>		<u>4.93</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Non-controlling interests	Total equity
	Common stock	Capital surplus	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign operation	Total equity owners of parent		
Balance at January 1, 2018	\$ 1,445,180	1,652,256	300,256	1,198,746	1,499,002	(216,966)	4,379,472	23,880	4,403,352
Profit	-	-	-	829,425	829,425	-	829,425	3,633	833,058
Other comprehensive income	-	-	-	3,462	3,462	219,627	223,089	944	224,033
Total comprehensive income	-	-	-	832,887	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	-	27,540	-	-	-	-	27,540	-	27,540
Changes in non-controlling interests	-	-	-	-	-	-	-	(855)	(855)
Balance at December 31, 2018	1,702,295	1,944,448	300,256	2,031,633	2,331,889	2,661	5,981,293	27,602	6,008,895
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary share	-	-	-	(465,236)	(465,236)	-	(465,236)	-	(465,236)
Profit	-	-	-	827,051	827,051	-	827,051	3,599	830,650
Other comprehensive income	-	-	-	3,463	3,463	425,615	429,078	1,810	430,888
Total comprehensive income	-	-	-	830,514	830,514	425,615	1,256,129	5,409	1,261,538
Conversion of convertible bonds	188,114	452,178	-	-	-	-	640,292	-	640,292
Balance at December 31, 2019	\$ 1,890,409	2,396,626	300,256	2,396,911	2,697,167	428,276	7,412,478	33,011	7,445,489

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 845,905	840,562
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	736,312	659,479
Amortization expense	11,589	10,821
Expected credit loss	18,570	236
Interest expense	70,299	102,970
Interest income	(3,219)	(4,798)
Loss on disposal of property, plant and equipment	1,639	19,930
Gain on lease modifications	(10)	-
Impairment loss on non-financial assets	12,165	896
Total adjustments to reconcile profit	847,345	789,534
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss	853	(8,316)
Accounts receivable	753,975	(566,119)
Other receivables	5,620	23,087
Inventories	(148,543)	(261,432)
Other current assets	3,387	(10,153)
Total changes in operating assets	615,292	(822,933)
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss	3,099	19
Accounts payable	(916,735)	97,186
Other payables	(43,525)	29,273
Other current liabilities	(490)	6,106
Other non-current liabilities	11,466	14,905
Total changes in operating liabilities	(946,185)	147,489
Total changes in operating assets and liabilities	(330,893)	(675,444)
Total adjustments	516,452	114,090
Cash inflow generated from operations	1,362,357	954,652
Interest received	3,219	4,798
Interest paid	(65,822)	(83,833)
Income taxes paid	(14,599)	(14,906)
Net cash flows from operating activities	1,285,155	860,711
Cash flows from (used in) investing activities:		
Increase in prepayments for investments	(83,251)	-
Acquisition of property, plant and equipment	(531,793)	(504,876)
Proceeds from disposal of property, plant and equipment	2,700	4,143
Acquisition of intangible assets	(5,782)	(30,345)
(Increase) decrease in prepayments for equipment	(14,143)	14,536
Decrease in refundable deposits	209	119
Decrease (increase) in other financial assets—non-current	(6,202)	20,894
Net cash used in investing activities	(638,262)	(495,529)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(463,278)	48,058
Proceeds from issuing bonds	-	593,319
Proceeds from long-term loans	1,503,667	1,621,503
Repayments of long-term loans	(1,293,798)	(2,371,356)
Payment of lease liabilities	(207,115)	(170,833)
Cash dividends paid	(465,236)	-
Change in non-controlling interests	-	(855)
Net cash flows used in financing activities	(925,760)	(280,164)
Effect of exchange rate changes on cash and cash equivalents	168,500	77,686
Net increase (decrease) in cash and cash equivalents	(110,367)	162,704
Cash and cash equivalents at beginning of period	410,268	247,564
Cash and cash equivalents at end of period	\$ 299,901	410,268

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(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) 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, please refer to note 14 for related information. 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 10, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to 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 for 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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The Group applied IFRS 16 using the modified retrospective approach in measuring its right-of-use assets with lease liability, with no restatement of comparative information. The details of the changes in accounting policies are disclosed below.

(i) Definition of a lease

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

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(ii) As a lessee

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

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(iii) Sale-and-leaseback

Under IFRS 16, the Group continues to account for the sale-and-leaseback transaction for machinery and equipment completed in 2016 as a sale-and-leaseback transaction. The Group recognized a right-of-use asset and a lease liability for the leaseback on January 1, 2019, measured in the same way as other right-of-use assets and lease liabilities at that date.

(iv) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$675,144 thousand of right-of-use assets and \$145,376 thousand of lease liabilities, the difference in amount \$529,768 thousand was contracts of finance lease that were reclassified from property, plant and equipment to right-of-use asset. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.34%.

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

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 103,163
Recognition exemption for:	
Short-term leases	(3,191)
Leases of low-value assets	(111)
Extension and termination options reasonably certain to be exercised	59,732
Variable lease payment based on an index or a rate	<u>(3,305)</u>
	<u>\$ 156,288</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 145,376
Finance lease liabilities recognized as at December 31, 2018	<u>272,283</u>
Lease liabilities recognized at January 1, 2019	<u>\$ 417,659</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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- (b) The impact of IFRS issued by the FSC but not yet effective

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

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

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

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

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

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

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

(4) Summary of significant accounting policies:

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

Except for note 3, 4(j) 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 and issued into effect 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 liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in 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. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of parent and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

- (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, 2019	December 31, 2018
The Company	Apex Circuit (Thailand) Co., Ltd. (Apex Circuit (Thailand))	PCB manufacturing and sales	99.58 %	99.58 %

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

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)	
			December 31, 2019	December 31, 2018
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	- % (note)	100.00 % (note)

Note 1: On November 13, 2017, the Board decided to liquidate APC, a subsidiary of the Group, due to a shift in operating strategy. All of APC's shares had been transferred back to the Group on April 4, 2019, and the liquidation process had been completed on May 6, 2019.

Note 2: On October 3, 2019 the Board of Directors approved to acquire 100% shares of Shye Feng Enterprise (Thailand) Co., Ltd. which primary business are PCB manufactured and sales. Please refer to note 7 for more information.

Subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

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

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange difference 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

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

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

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

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

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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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.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Impairment of financial assets

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

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

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

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

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 is 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 asset 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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary share at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized 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.

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

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL.

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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. 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, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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The estimated useful lives of property, plant and equipment for current and comparative periods 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 reviewed at each reporting date and adjusted if appropriate.

(j) Lease

Applicable from January 1, 2019

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset throughout the period of use only if either:
 - the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

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

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

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

- fixed payments; including substantive fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

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

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

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

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

Applicable before January 1, 2019

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 cost and the reduction of the outstanding liability. The finance cost 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.

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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.

(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

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

The Group held software as intangible assets and 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.

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

(l) Impairment of non-derivative financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

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

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

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

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(m) Recognition of Revenue

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.

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits 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. Remeasurements are recognized in profit or loss in the period in which they arise.

(iv) Short-term employee benefits

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

(o) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary difference arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reversed, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes if any.

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entity which intends to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(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 compensation.

(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 in conformity with the regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of the changes in the accounting estimates in the period.

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Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is valuation 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.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash	\$ 277	414
Demand deposits	290,160	236,565
Checking deposits	432	1,184
Time deposits	9,032	172,105
Cash and cash equivalents in the consolidated statement of cash flows	\$ 299,901	410,268

Reserve account deposit that are not highly liquid and cannot be readily converted to a known amount of cash, or the values of which are subject to fluctuation, are listed under other financial assets—non-current as follows:

	December 31, 2019	December 31, 2018
Restricted bank deposit	\$ 6,202	-

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

Please refer to note 6(u) for the disclosure of interest rate risks and sensitivity analysis of the Groups' financial assets and liabilities.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(b) Financial assets and liabilities measured at fair value through profit or loss

(i) Financial assets measured at fair value

1) Current

	December 31, 2019	December 31, 2018
Financial assets held-for-trading:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 3,458	4,401
Mandatorily measured at fair value through profit or loss:		
Derivative financial assets		
Call and put option of corporate bonds payable	16	-
Total	\$ 3,474	4,401

2) Non-current

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Derivative financial assets		
Call and put option of corporate bonds payable	\$ -	170

(ii) Financial liabilities measured at fair value

	December 31, 2019	December 31, 2018
Financial liabilities held-for-trading:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 3,290	191

Please refer to note 6(t) 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, 2019 and 2018.

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Forward exchange contracts:

December 31, 2019				
	Amount			Fair value of
	(in thousands)	Currency	Maturity dates	assets
				(liabilities)
Forward exchange sold	USD 7,000	USD to THB	2020.01.27 ~2020.06.11	\$ <u><u>3,458</u></u>
Forward exchange purchased	USD 6,000	NTD to USD	2020.01.15 ~2020.06.17	\$ <u><u>(3,290)</u></u>
December 31, 2018				
	Amount			Fair value of
	(in thousands)	Currency	Maturity dates	assets
				(liabilities)
Forward exchange purchased	USD 10,800	USD to THB	2019.1.16 ~2019.5.8	\$ <u><u>4,401</u></u>
Forward exchange sold	USD 2,000	USD to THB	2019.7.3	\$ <u><u>(191)</u></u>

Please refer to note 6(k) for financial assets measured at fair value through profit or loss components from issuing unsecured convertible bonds.

(c) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 2,892,485	3,646,085
Less: Loss allowance	<u>(21,041)</u>	<u>(2,096)</u>
	<u><u>\$ 2,871,444</u></u>	<u><u>3,643,989</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, 2019 and 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, including macroeconomics and relevant industry information.

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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, 2019 and 2018 were as follows:

December 31, 2019			
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 294,293	0.01	23
Past due 1~30 days	42,266	0.03	15
Past due 31~60 days	6,766	0.17	12
Past due 61~90 days	<u>70</u>	<u>7.73</u>	<u>5</u>
	<u>\$ 343,395</u>		<u>55</u>

December 31, 2018			
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 349,814	0.01	47
Past due 1~30 days	125,201	0.06	75
Past due 31~60 days	<u>3,528</u>	<u>0.26</u>	<u>9</u>
	<u>\$ 478,543</u>		<u>131</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, 2019 and 2018 were as follows:

December 31, 2019			
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 326,568	-	-
Past due 1~30 days	3,209	-	-
Past due 31~60 days	2	0.01	-
Past due 91~120 days	<u>475</u>	<u>0.01</u>	<u>-</u>
	<u>\$ 330,254</u>		<u>-</u>

The accounts receivable above does not contain all the amounts that the Group has for a certain client. As the uncertainty of receiving such accounts receivable, the Group has fully recognized loss allowance of the total amount. Therefore, it is not included into expected credit loss calculation, and the total amount is \$19,046 thousand.

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	December 31, 2018		
	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	-	-
	\$ 517,733		-

The Group's analyses of the expected credit loss on its accounts receivable in other Asian region as of December 31, 2019 and 2018 were as follows:

	December 31, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,156,587	-	-
Past due 1~30 days	257,752	-	-
Past due 31~60 days	7,982	-	-
Past due 61~90 days	2,263	-	-
	\$ 1,424,584		-

	December 31, 2018		
	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 91~120 days	252	-	-
	\$ 1,415,059		-

The accounts receivable above does not contain all the amounts that the Group has for a certain client. As the uncertainty of receiving, the Group has fully recognized loss allowance of the total amount. Therefore, it is not included into expected credit loss calculation. The loss allowance recognized at December 31, 2019 and 2018, are \$1,940 thousand and \$1,965 thousand, respectively.

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The Group's analyses of the expected credit loss on its accounts receivable in the Western region (Europe and America) as of December 31, 2019 and 2018 were as follows:

December 31, 2019			
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 632,795	-	-
Past due 1~30 days	72,632	-	-
Past due 31~60 days	53,532	-	-
Past due 61~90 days	11,772	-	-
Past due 91~120 days	1,163	-	-
Past due 121~180 days	<u>1,372</u>	-	<u>-</u>
	<u><u>\$ 773,266</u></u>		<u><u>-</u></u>
December 31, 2018			
	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	<u>519</u>	-	<u>-</u>
	<u><u>\$ 1,232,785</u></u>		<u><u>-</u></u>

The movement in the allowance of accounts receivable are as follows:

	2019	2018
Balance at the beginning	\$ 2,096	1,790
Impairment losses	18,570	236
Foreign exchange gain	<u>375</u>	<u>70</u>
Balance at the ending	<u><u>\$ 21,041</u></u>	<u><u>2,096</u></u>

(d) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	\$ 35,726	42,988
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u><u>\$ 35,726</u></u>	<u><u>42,988</u></u>

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The Group does not have any past due other receivables as of December 31, 2019 and 2018.

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

(e) Inventories

	December 31, 2019		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 656,364	(54,739)	601,625
Work in process	271,385	(12,613)	258,772
Finished goods	574,152	(18,863)	555,289
Supplies and spare parts	361,627	(54,397)	307,230
Goods in transit	77,827	-	77,827
Merchandise inventory	163	-	163
Total	<u>\$ 1,941,518</u>	<u>(140,612)</u>	<u>1,800,906</u>

	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>

For the years ended December 31, 2019 and 2018, in addition to the normal cost of goods sold, the following loss and revenue were included in the Group's operating costs:

	2019	2018
Loss on market price decline and obsolete and slow-moving inventories	\$ 27,288	16,083
Revenue from sale of scrap	(305,866)	(356,151)
Loss on inventory obsolescence	277,117	425,182
Physical count variance	(12)	-
	<u>\$ (1,473)</u>	<u>85,114</u>

As of December 31, 2019 and 2018, the Group did not pledge its inventory as collateral.

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(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, 2019 and 2018, 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, 2019	\$ 330,635	7,744	2,107,327	6,935,908	10,342	405,227	636,559	12,551	80,034	10,526,327
Additions	-	100	55,906	225,490	-	42,507	-	-	180,885	504,888
Disposals	-	-	-	(75,441)	-	(9,070)	-	(2,303)	-	(86,814)
Reclassification (note)	-	-	657	237,775	1,802	170	(636,559)	-	(62,572)	(458,727)
Translation effect	20,902	491	133,959	443,533	768	25,951	-	654	6,605	632,863
Balance at December 31, 2019	\$ 351,537	8,335	2,297,849	7,767,265	12,912	464,785	-	10,902	204,952	11,118,537
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	\$ 330,635	7,744	2,107,327	6,935,908	10,342	405,227	636,559	12,551	80,034	10,526,327
Accumulated depreciation and impairment losses:										
Balance at January 1, 2019	\$ -	3,171	663,123	3,247,956	7,777	228,636	106,791	8,743	-	4,266,197
Depreciation	-	848	119,760	518,046	1,111	43,959	-	2,026	-	685,750
Impairment loss	-	-	-	12,165	-	-	-	-	-	12,165
Disposals	-	-	-	(71,589)	-	(8,583)	-	(2,303)	-	(82,475)
Reclassification (note)	-	-	-	4,025	931	-	(106,791)	-	-	(101,835)
Translation effect	-	212	43,485	211,366	565	14,824	-	442	-	270,894
Balance at December 31, 2019	\$ -	4,231	826,368	3,921,969	10,384	278,836	-	8,908	-	5,050,696
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	106,791	8,743	-	4,266,197
Carrying amount:										
Balance at December 31, 2019	\$ 351,537	4,104	1,471,481	3,845,296	2,528	185,949	-	1,994	204,952	6,067,841
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 January 1, 2018	\$ 318,861	5,177	1,415,570	3,616,655	996	156,576	702,289	4,712	98,560	6,319,396

Note: 1. The cost and accumulated depreciation of \$636,559 thousand and \$106,791 thousand, respectively, were reclassified to right-of-use assets due to the effect of retrospective application.

2. The cost and accumulated depreciation of \$178,362 thousand and \$4,956 thousand, respectively, were transferred from right-of-use assets.

2. The cost of \$530 thousand, was transferred to intangible assets.

The Group leases machinery classified as property, plant, and equipment under finance lease for the year ended December 31, 2018, please refer to note 6(m). The Group leases offices and warehouses under an operating lease, please refer to note 6(n).

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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:

	2019	2018
Impairment loss	<u><u>\$ 12,165</u></u>	<u><u>896</u></u>

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(t) for the amount of interest expenses capitalized.

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

(g) Right-of-use assets

The Group leases many assets including buildings, machinery and equipment, and vehicles. Information about leases for which the Group as a lessee is presented below:

	Buildings	Machinery and equipment (Note)	Vehicles (Note)	Total
Cost:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	<u>102,481</u>	<u>655,659</u>	<u>23,795</u>	<u>781,935</u>
Balance at January 1, 2019 after restatement	102,481	655,659	23,795	781,935
Additions	668	8,176	3,123	11,967
Disposals	(1,464)	(242)	-	(1,706)
Reclassification	-	(176,560)	(1,802)	(178,362)
Translation effect	<u>5,911</u>	<u>39,250</u>	<u>1,430</u>	<u>46,591</u>
Balance at December 31, 2019	<u><u>\$ 107,596</u></u>	<u><u>526,283</u></u>	<u><u>26,546</u></u>	<u><u>660,425</u></u>

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	<u>Buildings</u>	<u>Machinery and equipment (Note)</u>	<u>Vehicles (Note)</u>	<u>Total</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	\$ -	105,860	931	106,791
Effects of retrospective application	-	-	-	-
Balance at January 1, 2019	-	105,860	931	106,791
Depreciation	27,109	13,232	10,253	50,594
Disposals	(164)	(85)	-	(249)
Reclassification	-	(4,025)	(931)	(4,956)
Translation effect	316	6,811	133	7,260
Balance at December 31, 2019	<u>\$ 27,261</u>	<u>121,793</u>	<u>10,386</u>	<u>159,440</u>
Carrying amount:				
Balance at December 31, 2019	<u>\$ 80,335</u>	<u>404,490</u>	<u>16,160</u>	<u>500,985</u>

Note: 1. The cost of machinery and equipment, as well as vehicles, of \$634,757 thousand and \$1,802 thousand, respectively; and their corresponding accumulated depreciation of \$105,860 thousand and \$931 thousand, respectively, were reclassified from property, plant and equipment to right-of-use assets due to the effect of retrospective application.

2. The cost of machinery and equipment of \$176,560 thousand and \$4,025 thousand, respectively, was transferred from property, plant and equipment.

3. The cost and accumulated depreciation of vehicles of \$1,802 thousand and \$931 thousand, respectively, were transferred to property, plant and equipment.

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

(h) Intangible assets

	<u>Software</u>
Costs:	
Balance at January 1, 2019	\$ 98,441
Additions	5,782
Reclassification from property, plant and equipment	530
Translation effect	6,268
Balance at December 31, 2019	<u>\$ 111,021</u>
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	<u>\$ 98,441</u>

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

	<u>Software</u>
Amortization and impairment loss:	
Balance at January 1, 2019	\$ 60,562
Amortization	11,589
Translation effect	<u>3,946</u>
Balance at December 31, 2019	<u>\$ 76,097</u>
Balance at January 1, 2018	\$ 47,810
Amortization	10,821
Translation effect	<u>1,931</u>
Balance at December 31, 2018	<u>\$ 60,562</u>
Carrying amount:	
Balance at December 31, 2019	<u>\$ 34,924</u>
Balance at December 31, 2018	<u>\$ 37,879</u>
Balance at January 1, 2018	<u>\$ 16,280</u>

(i) Short-term loans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured loans	\$ <u>899,218</u>	<u>1,287,170</u>
Unused credit line	\$ <u>4,602,994</u>	<u>3,575,346</u>
Interest rate (%)	<u>1.35~2.60</u>	<u>1.47~3.21</u>

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

(j) Long-term loans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Secured loans	\$ 465,045	509,922
Unsecured loans	639,933	337,190
Less: deferred financing fee	(3,434)	-
Less: current portion	<u>(422,093)</u>	<u>(262,348)</u>
Total	<u>\$ 679,451</u>	<u>584,764</u>
Unused credit line	<u>\$ 1,525,185</u>	<u>748,357</u>
Interest rate (%)	<u>2.58~6.00</u>	<u>2.59~6.25</u>
Contract period	<u>2020.3~2023.12</u>	<u>2020.2~2022.11</u>

(Continued)

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, 2019, the Group did not breach the commitment clause mentioned above.

As of December 31, 2018, the Group did not reach the regulation about shareholding percentage as above. But Bangkok Bank adopted to adjust the regulation of share holding percentage during Board of Directors, which was held in December 2018. As the Group's subsidiary Apex Circuit (Thailand) did comply with the commitment after the adjustment, so it was not going to reclassify this long-term loan, the Group did not breach other commitments 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 200%.

- c) 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, 2019 and 2018, the Group did not breach the commitment clause mentioned above.

(Continued)

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

- 3) The Company entered into a joint loan agreement led by First Commercial Bank along with other nine banks in Taiwan on August 12, 2019, the main commitment clauses in the contract are as follows:
- a) The current ratio (current asset/current liability less current portion) must exceed 100%.
 - b) The debt ratio (liability/tangible equity) cannot exceed 180%.
 - c) Interest coverage ratio [(net income before tax + interest expense + depreciation + amortization) / interest expense] must exceed 300%.
 - d) The tangible equity (total equity - intangible asset) must exceed NTD \$4.0 billion.

The ratios mentioned above shall be calculated based on the audited annual consolidated financial statements, as well as the reviewed semiannual consolidated financial statements of the Group. Either, the Group or independent auditor should provide a declaration which states no breach of such commitment upon semiannual and annual review.

As of December 31, 2019, did not breach the commitment clauses mentioned above.

(k) Corporate bonds payable

	December 31, 2019		
	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	61,392	5,498	66,890
Reversal of discount on bonds payable conversion	6,985	30,440	37,425
Less: Accumulated converted amount	650,000	581,700	1,231,700
Ending balance of bonds payable	<u>\$ -</u>	<u>17,797</u>	<u>17,797</u>

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

	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>

The Group issued unsecured convertible bonds, and their liability and equity components were as follows:

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 thousand at par value with an interest rate of 0% and a period of 5 years.

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 thousand.

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)	63,310
	<u>\$ 650,000</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 thousand. 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 thousand, with a par value of \$100 thousand per share, without any interest rate, within a period of 3 years, at a conversion price of \$21.50.

(Continued)

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

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:

	<u>Third unsecured convertible bond</u>
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>\$ 600,000</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.

- 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.

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

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.

8) The second unsecured convertible bonds of the Group have already been due and transferred into common stock on July 21, 2019.

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.

(Continued)

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

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 NTD) 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 as of December 31, 2019 is amounting to NT\$20.40 per share.

(ii) Financial assets measured at fair value through profit or loss are as follows:

	December 31, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ -	170	170
Valuation gain	146	(56)	90
Conversion	(146)	(98)	(244)
Ending balance	<u>\$ -</u>	<u>16</u>	<u>16</u>
	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>

(Continued)

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

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

December 31, 2019			
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ 60,057	2,166	62,223
Less: conversion	60,057	1,327	61,384
Ending balance	<u>\$ -</u>	<u>839</u>	<u>839</u>

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>

The third unsecured convertible bondholders are entitled to exercise the put option and request the Group to pay the full amount at the agreed price beginning from two years after the issuance date (May 7, 2020). Based on conservatism, the Group reclassified financial liabilities measured at fair value through profit and loss— non-current to current liabilities on December 31, 2020, but it is not required to fully repay within one year.

(l) Lease liabilities

	December 31, 2019
Current	<u>\$ 145,310</u>
Non-current	<u>\$ 99,050</u>

The increase in lease liabilities for the year ended December 31, 2019 was \$11,967 thousand, with an interest rate of 2.68%~4.82%. The lease liabilities are due from October 2022 to May 2023.

For the 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, 2019, the unrealized gain from the sale and leaseback was fully amortized.

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	\$ <u><u>14,886</u></u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u><u>2,357</u></u>
Expenses relating to short-term leases	\$ <u><u>4,048</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u><u>53</u></u>

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

	2019
Total cash flows from operating activities	\$ 21,344
Total cash flows from investing activities	<u>207,115</u>
Total cash outflow for leases	\$ <u><u>228,459</u></u>

(i) Real estate leases

As of December 31, 2019, the Group leases buildings for its office space and warehouse. The leases of warehouse typically run for a period of 3 to 6 years, and of office for 1 to 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of buildings contain extension options exercisable by the Group, the extension options held are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Group leases office equipment, machinery equipment, and vehicles, with lease terms of 1 to 4 years. Some of these leases are considered as short-term leases or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(iii) Sale-and-leaseback

From December 2015 to 2017, the Group sold few of its machinery and vehicles, then leased both back for 3 to 5 years. The Group has an option to repurchase the machinery and vehicles with the agreed price or to transfer ownership of the lease unconditionally at the end of the contract term. This sale-and-leaseback transaction enabled the Group to access more capital while continuing to use the machinery and vehicles.

(iv) The lease liabilities were classified as finance lease liabilities on December 31, 2018, please refer to Note 6(m).

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

(m) 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	<u>126,209</u>	<u>3,603</u>	<u>122,606</u>
	<u>\$ 284,478</u>	<u>12,195</u>	<u>272,283</u>

For the year ended December 31, 2018, there was no increase in finance lease liabilities. For the disclosure of interest expenses, please refer to note 6(t).

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 the 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, the unrealized gain from the sale and leaseback amounted to \$31 thousand, was recognized as other non-current liability.

(n) Operating leases

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

	December 31, 2018
Less than one year	\$ 50,566
Between one and five years	<u>52,597</u>
	<u>\$ 103,163</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
Operating costs	\$ 28,079
Operating expenses	<u>30,417</u>
	<u>\$ 58,496</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

(o) Employee benefits

(i) Defined benefit plans

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

	December 31, 2019	December 31, 2018
Net defined benefit liability	\$ 45,144	38,075

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:

	2019	2018
Defined benefit obligation at January 1	\$ 38,075	26,669
Current service costs and interest	9,837	13,843
Remeasurements of the net defined benefit liability		
— Actuarial gains and losses arising from changes in demographic assumptions	(2,352)	(1,680)
— Actuarial gains and losses arising from changes in financial assumptions	(1,139)	(1,797)
Benefit paid	(1,743)	(121)
Exchange differences on translation of foreign plans	2,466	1,161
Defined benefit obligation at December 31	\$ 45,144	38,075

2) Expenses recognized in profit or loss

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

	2019	2018
Current service costs	\$ 8,631	13,114
Net interest on the net defined benefit liability	1,206	729
Past service cost and gains and losses on settlement	(1,743)	(121)
	\$ 8,094	13,722

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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 2019 and 2018 were as follows:

	2019	2018
Cumulative amount at 1 January	\$ (7,325)	(3,700)
Recognized losses during this period	(3,491)	(3,477)
Translation effect	(495)	(148)
Cumulative amount at 31 December	<u><u>\$ (11,311)</u></u>	<u><u>(7,325)</u></u>

- 4) Actuarial assumptions

Assumptions used on calculating the present value of the defined benefit obligation as of December 31, 2019 and 2018 were as follow:

	December 31, 2019	December 31, 2018
Discount rate at December 31	1.77 %	3.02 %
Future salary increases (employees paid monthly)	1.00 %	2.50 %
Future salary increases (employees paid daily)	2.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$4,748 thousand.

The weighted average duration of the defined benefit plan is 13.84 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, 2019 and 2018, 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, 2019		
Discount rate (changes 1.00%)	(5,514)	6,691
Future salary adjustment rate (changes 1.00%)	6,644	(5,578)

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	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)

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 \$827 thousand and \$734 thousand for 2019 and 2018, 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 \$4,823 thousand and \$3,919 thousand as of December 31, 2019 and 2018, respectively.

(p) 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 2019 and 2018. 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. AET's Taiwan Branch and the Company's Taiwan Branch are subject to a maximum income tax rate of 20% in accordance with the Income Tax Act, and the Income Basic Tax Act has been applied to the calculation of AET's Taiwan Branch and the Company's Taiwan Branch's basic income tax. 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.

(i) Income tax expense

	<u>2019</u>	<u>2018</u>
Current tax expense		
Current period	\$ 2,788	886
Adjustment for prior periods	<u>12,581</u>	<u>5,704</u>
	<u>15,369</u>	<u>6,590</u>

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

	<u>2019</u>	<u>2018</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	\$ <u>(114)</u>	<u>914</u>
Income tax expense from continuing operations	\$ <u>15,255</u>	<u>7,504</u>

Income tax recognized under other comprehensive income for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Items that will not reclassified into profit and loss		
Remeasurements of defined benefit liability	\$ <u>13</u>	<u>-</u>

Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Profit before income tax	\$ <u>845,905</u>	<u>840,562</u>
Income tax calculated by a statutory tax rate applied by subsidiaries	\$ 174,123	175,254
Adjustment in accordance with tax law	(3,690)	1,551
Tax-exempt income	(167,759)	(174,989)
Under provision in prior periods	12,581	5,704
Effect from change in income tax rate	<u>-</u>	<u>(16)</u>
Total	\$ <u>15,255</u>	<u>7,504</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, 2019</u>	<u>December 31, 2018</u>
Tax losses	\$ <u>22,891</u>	<u>18,789</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 2019 and 2018, 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
2019	20,510	2029
	\$ 114,456	

2) Recognized deferred tax assets and liabilities

Deferred tax liabilities:

	Fair value gains	Difference between tax purpose and financial reporting purpose for finance leases	Total
Balance at January 1, 2019	\$ -	46,242	46,242
Recognized in profit or loss	5	2,970	2,975
Effect in exchange rate	-	2,963	2,963
Balance at December 31, 2019	\$ 5	52,175	52,180
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	\$ -	46,242	46,242

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, 2019	\$ 5,764	26	5,870	567	12,227
Recognized in profit or loss	1,155	2,055	(467)	346	3,089
Recognized in other comprehensive income	(13)	-	-	-	(13)
Effect in exchange rate	379	26	365	36	806
Balance at December 31, 2019	\$ 7,285	2,107	5,768	949	16,109
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	\$ 5,764	26	5,870	567	12,227

(Continued)

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 2018. The income tax return of AET and the Company's Taiwan Branch had been approved by the revenue department through 2017.

(q) Share capital and other equity

As of December 31, 2019 and 2018, the total value of authorized common stock are \$3,000,000 thousand and \$2,000,000 thousand, respectively. Par value of each share is \$10 (dollars), and in total, there are 300,000 thousand shares and 200,000 thousand authorized common shares.

Reconciliation of shares outstanding for the years ended December 31, 2019 and 2018, was as follows:

	Unit: Thousand shares	
	2019	2018
Balance at January 1	\$ 170,230	144,518
Conversion of convertible bonds	<u>18,811</u>	<u>25,712</u>
Balance at December 31	<u>\$ 189,041</u>	<u>170,230</u>

(i) Issuance of common stock

In the year ended December 31, 2019, second and third convertible bondholders converted bonds into common stock, and of which 17,467 thousand shares and 1,344 thousand shares were converted at par value, amounting to \$174,673 thousand and \$13,441 thousand, respectively, in total of \$188,114 thousand. Registration processes in relation to the bond conversion have been completed.

In the year ended December 31, 2018, the third convertible bondholders converted bonds into common stocks, and of which 25,712 thousand shares were converted at par value, amounting to \$257,115 thousand. Registration processes in relation to the bond conversion have been completed.

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

(ii) Capital surplus

The balance of capital surplus was as follows:

	December 31, 2019	December 31, 2018
Premium on capital stock	\$ 2,368,387	1,854,825
Donation by shareholders	27,067	27,067
Issuance of convertible bonds — stock warrant	839	62,223
Gain or loss on entity's disposition of equity of the subsidiary	333	333
	<u><u>\$ 2,396,626</u></u>	<u><u>1,944,448</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.
- 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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

As of December 31, 2019 and 2018, the special reserve was \$300,256 thousand.

(v) Distribution of earnings

Based on the Company's articles of association, if there are profits in the given year, the Company is to set aside no more than 2% as remuneration to employees, directors, and supervisors. However, if there are cumulative losses, the Company shall first make up the losses. For the year ended December 31, 2019, the Company recognized the amount of \$0 thousand as remuneration to employees, and \$720 thousand as remuneration to directors, and supervisors. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates, and recognized as profit or loss in the following year.

A resolution was approved during the shareholders' meeting on June 15, 2018 not to distribute any of the 2017 earnings in 2018. Therefore, the difference of \$0 and \$720 between the decision to not distribute the earnings, and the Company's estimation of its remuneration to employees, directors, and supervisors, respectively, recognized in the financial statements for 2017 will be adjusted in the Company's profit or loss in 2018. On June 5, 2019, the employee remuneration, as well as remuneration to directors and supervisors, of \$0 and \$720, respectively, which were approved during the shareholders' meeting, were the same as those recognized in the financial statements in 2018. The related information is available on the Market Observation Post System website.

On June 5, 2019 and June 15, 2018, the shareholder's meetings resolved to appropriate the 2018 and 2017 earnings. These earnings were appropriated as follows:

	<u>2018</u>	<u>2017</u>
Dividends distributed to ordinary shareholders		
Cash	\$ <u><u>465,236</u></u>	<u><u>-</u></u>

The related information about the earnings distribution that was resolved during the shareholder's meeting is available on the Market Observation Post System website.

(Continued)

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

(r) Earnings per share

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

	Unit: Thousand shares	
	<u>2019</u>	<u>2018</u>
Basic EPS:		
Net income	\$ <u>827,051</u>	<u>829,425</u>
Weighted-average number of common shares outstanding	<u>185,510</u>	<u>152,117</u>
Basic EPS (New Taiwan dollars)	\$ <u>4.46</u>	<u>5.45</u>
Diluted EPS:		
Net income	\$ 827,051	829,425
Influence of dilutive expenses	<u>3,648</u>	<u>14,303</u>
Net income for calculating diluted EPS	\$ <u>830,699</u>	<u>843,728</u>
Weighted-average number of common shares outstanding	185,510	152,117
Conversion of convertible bonds	<u>4,428</u>	<u>18,931</u>
Weighted-average number of common shares outstanding — diluted	<u>189,938</u>	<u>171,048</u>
Diluted EPS (New Taiwan dollars)	\$ <u>4.37</u>	<u>4.93</u>

(s) Revenues from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Thailand	\$ 1,898,165	2,387,025
Samoa	1,726,889	2,084,778
Singapore	1,739,182	1,742,674
Korea	952,942	380,252
Other	<u>4,070,071</u>	<u>4,580,369</u>
	\$ <u>10,387,249</u>	<u>11,175,098</u>
Main product/service line		
Double-layer PCB sales	\$ 1,857,366	2,101,774
Multi-layer PCB sales	8,509,699	9,087,003
Other	26,921	31,561
Less: sales allowance	<u>(6,737)</u>	<u>(45,240)</u>
	\$ <u>10,387,249</u>	<u>11,175,098</u>

(Continued)

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

(ii) Remaining balances of contract

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivables	\$ 2,892,485	3,646,085	3,079,896
Less: Loss allowance	<u>(21,041)</u>	<u>(2,096)</u>	<u>(1,790)</u>
Total	<u>\$ 2,871,444</u>	<u>3,643,989</u>	<u>3,078,106</u>

(t) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

	2019	2018
Interest income	\$ 3,219	4,798
Income from cancellation of orders	4,662	19,554
Others	<u>11,145</u>	<u>15,538</u>
	<u>\$ 19,026</u>	<u>39,890</u>

(ii) Other gains and losses

The details of other gains and losses are as follows:

	2019	2018
Loss on disposal of property, plant and equipment	\$ (1,639)	(19,930)
Foreign exchange gain (loss), net	75,771	81,708
Valuation gain (loss) on financial assets (liabilities), net	(4,162)	8,221
Impairment loss	(12,165)	(896)
Loss on disposal of investment	(1,426)	-
Gain on lease modifications	<u>10</u>	<u>-</u>
	<u>\$ 56,389</u>	<u>69,103</u>

(Continued)

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

(iii) Finance cost

The details of finance cost are as follows:

	2019	2018
Interest expense on loans from banks	\$ 53,117	85,390
Interest expense on lease liabilities	14,886	-
Less: interest expense capitalized	(1,442)	(1,016)
Amortization of discount on bonds payable	3,738	18,596
	<u><u>\$ 70,299</u></u>	<u><u>102,970</u></u>

(u) 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 \$3,224,675 thousand and \$4,109,953 thousand as at December 31, 2019 and 2018, 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. The Group's accounts receivable are obviously concentrated on three main customers, which accounted for 40% and 46% of the total amount of notes and accounts receivable as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's accounts receivable concentrated on three main customers were \$1,140,802 thousand and \$1,685,888 thousand, 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. All of other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instrument are considered to have low credit risk, please refer to note 4(g).

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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:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
December 31, 2019					
Non-derivative financial liabilities					
Secured bank loans	\$ 465,045	485,818	224,187	120,184	141,447
Unsecured bank loans	1,535,717	1,575,499	1,128,841	21,438	425,220
Lease liabilities	244,360	255,774	152,807	69,781	33,186
Convertible bonds payable (including derivative financial assets)	17,781	18,300	18,300	-	-
Accounts payable (including payables on equipment)	1,579,472	1,579,472	1,579,472	-	-
Other payables	295,115	295,115	295,115	-	-
Long-term payable	11,033	11,033	-	11,033	-
Derivative financial liabilities					
Other forward contract—					
Inflow	3,290	3,290	3,290	-	-
	<u>\$ 4,151,813</u>	<u>4,224,301</u>	<u>3,402,012</u>	<u>222,436</u>	<u>599,853</u>
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	-
Lease liabilities	272,283	284,478	158,269	95,497	30,712
Convertible bonds payable (including derivative financial assets)	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	-
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>

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, 2019			December 31, 2018		
	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount
Financial assets						
Monetary items						
USD	\$ 82,119	30.25	2,483,899	105,588	30.65	3,235,920
Financial liabilities						
Monetary items						
USD	73,961	30.51	2,256,585	85,334	30.94	2,640,596

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, 2019 and 2018, would have decreased net profit before tax for the years ended December 31, 2019 and 2018, by \$11,000 and \$30,000, 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 \$75,771 and \$81,708 for the years ended December 31, 2019 and 2018, 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

Notes to the Consolidated Financial Statements

If the interest rate had increased / decreased by 0.25%, the Group's net income would have decreased / increased by \$2,762 thousand and \$2,118 thousand for the years ended December 31, 2019 and 2018, 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, 2019					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets — current	\$ 3,474	-	3,474	-	3,474
Financial assets measured at amortized cost					
Cash and cash equivalents	299,901	-	-	-	-
Accounts receivables	2,871,444	-	-	-	-
Other receivables	35,726	-	-	-	-
Refundable deposits	7,928	-	-	-	-
Other financial assets	6,202	-	-	-	-
Subtotal	3,221,201	-	-	-	-
Total	\$ 3,224,675	-	3,474	-	3,474
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities — current	\$ 3,290	-	3,290	-	3,290

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Notes to the Consolidated Financial Statements

		December 31, 2019				
		Amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost						
Secured bank loans	\$	465,045	-	-	-	-
Unsecured bank loans		1,535,717	-	-	-	-
Lease liabilities		244,360	-	-	-	-
Convertible bonds payable (including derivative financial assets)		17,781	-	-	-	-
Accounts payable (including payables on equipment)		1,579,472	-	-	-	-
Other payables		295,115	-	-	-	-
Long-term payable		11,033	-	-	-	-
Subtotal		4,148,523	-	-	-	-
Total	\$	4,151,813	-	3,290	-	3,290
		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
Derivative financial assets— non-current		170	-	170	-	170
Subtotal		4,571	-	4,571	-	4,571
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	\$	4,109,953	-	4,571	-	4,571

(Continued)

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

	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					
Secured bank loans	509,922	-	-	-	-
Unsecured bank loans	1,624,360	-	-	-	-
Finance lease liabilities	272,283	-	-	-	-
Convertible bonds payable (including derivative financial assets)	654,595	-	-	-	-
Accounts payable (including payables on equipment)	2,512,374	-	-	-	-
Other payables	329,695	-	-	-	-
Long-term payable	21,771	-	-	-	-
Subtotal	5,925,000	-	-	-	-
Total	<u>\$ 5,925,191</u>	<u>-</u>	<u>191</u>	<u>-</u>	<u>191</u>

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, other financial assets, 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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

iii) Fair value of long-term debt, lease liabilities, 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. Lease liabilities are calculated based on the fixed rate agreed in the lease contract or incremental borrowing rate. 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.

b) Derivative financial instruments

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.

(v) 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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

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, 2019 and 2018, 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.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2019 and 2018, the Group's unused credit line were amounted to \$6,128,179 thousand and \$4,303,703 thousand, respectively.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

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.

(w) 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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As at December 31, 2019, the Group's capital management strategy was consistent with the prior year as at December 31, 2018. 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, 2019 and 2018, was as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ <u>4,363,403</u>	<u>6,132,452</u>
Total equity	\$ <u>7,412,478</u>	<u>5,981,293</u>
Debt-to-equity ratio	<u>58.87 %</u>	<u>102.53 %</u>

The debt-to-equity ratio as of December 31, 2019 and 2018 was within the limit set by the lender.

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:

	December 31, 2019	December 31, 2018
Total liabilities	\$ <u>3,865,713</u>	<u>5,633,925</u>
Total equity	\$ <u>7,788,810</u>	<u>6,924,152</u>
Debt-to-equity ratio	<u>49.63 %</u>	<u>81.37 %</u>

Unit: thousands of THB

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

(x) Non-cash investing and financing activities

For the years ended December 31, 2019 and 2018, the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment and right-of-use asset through finance leasing, as well as the conversion of convertible bonds into common stock. Please refer to notes 6(k), (l), (m) and (q) for related information.

Reconciliation of liabilities from financing activities are as follows:

	January 1, 2019	Cash flows	Acquisition/ cancellation of contracts	Translation effect	Non-cash changes Amortization of discount	Conversion	December 31, 2019
Long-term loans	\$ 847,112	209,869	-	44,563	-	-	1,101,544
Short-term loans	1,287,170	(463,278)	-	75,326	-	-	899,218
Lease liabilities	417,659	(207,115)	10,500	23,316	-	-	244,360
Corporate bonds payable	654,595	-	-	-	3,738	(640,536)	17,797
Total liabilities from financing activities	<u>\$ 3,206,536</u>	<u>(460,524)</u>	<u>10,500</u>	<u>143,205</u>	<u>3,738</u>	<u>(640,536)</u>	<u>2,262,919</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	January 1, 2018	Cash flows	Translation effect	Non-cash changes			December 31, 2018
				Discount of bond payable	Amortization of discount	Conversion	
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
Lease liabilities	430,162	(170,833)	12,954	-	-	-	272,283
Corporate bonds payable	596,110	593,319	-	(29,760)	18,596	(523,670)	654,595
Total liabilities from financing activities	<u>\$ 3,789,638</u>	<u>(279,309)</u>	<u>85,665</u>	<u>(29,760)</u>	<u>18,596</u>	<u>(523,670)</u>	<u>3,061,160</u>

(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	Chairman 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, 2019</u>	<u>December 31, 2018</u>
Other payables	Other related parties	<u>\$ -</u>	<u>33</u>

- (ii) Prepayments

The amounts of prepayments to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Prepayment for investment	Other related parties	<u>\$ 83,251</u>	<u>-</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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In order to improve the diversification of the Group, the Board of Directors has approved to acquire 100% shares of Shye Feng Enterprise (Thailand) Co., Ltd. with total amount of \$278,657 thousand (Thai baht 275,000 thousand). As of December 31, 2019, the Group has already invested \$83,251 thousand (Thai baht 82,500 thousand), it's recognized under prepayment for investment as the process of capital injection is not yet finished.

(iii) Leases

Rental expenses for the year ended December 31, 2018 amounted to \$621 thousand. The Group applied IFRS 16, with the date of initial application on January 1, 2019. This lease transaction recognized the additional amounts of \$987 thousand for both right-of-use assets and lease liabilities. The Group no longer has the need to rent its office from a related party, therefore, the lease had been terminated in May 2019. As of December 31, 2019, all lease liabilities had been fully paid, resulting in the Group to recognize the amount of \$19 thousand as interest expense.

(iv) Guarantee

For the years ended December 31, 2019 and 2018, chairman of the Company provided credit guarantees to the Group for short-term and long-term loans.

(d) Management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	\$ 41,860	33,250
Post-employment benefits	797	398
Other long-term benefits	1	(1)
	<u><u>\$ 42,658</u></u>	<u><u>33,647</u></u>

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

(8) Pledged assets:

Pledged assets	Object	December 31, 2019	December 31, 2018
Other financial assets — non-current:			
Restricted bank deposits	Long-term loans	\$ 6,202	-
Property, plant, and equipment:			
Land	Long-term and short-term loans	240,591	226,286
Buildings	Long-term and short-term loans	1,267,882	1,259,116
Machinery and equipment	Long-term and short-term loans, liabilities under finance leases and electricity guarantee	1,433,903	1,811,885
Office equipment	Long-term and short-term loans	28,363	28,426
Right-of-use asset	Liabilities under finance leases	389,669	-
Total		<u><u>\$ 3,366,610</u></u>	<u><u>3,325,713</u></u>

(9) Significant commitments and contingencies:

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

	December 31, 2019	December 31, 2018
Acquiring property, plant and equipment	\$ 120,283	97,037
Long-term commitments	53,228	45,205
Acquiring shares of investee	195,406	-
Total	<u><u>\$ 368,917</u></u>	<u><u>142,242</u></u>

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

	December 31, 2019	December 31, 2018
Letters of credit	<u><u>\$ 35,074</u></u>	<u><u>125,301</u></u>

(c) Guarantees provided by banks were as follows:

	December 31, 2019	December 31, 2018
Electricity guarantee	\$ 84,079	77,304
Raw material purchase guarantee	-	4,866
Total	<u><u>\$ 84,079</u></u>	<u><u>82,170</u></u>

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

(10) Losses due to major disasters: None.

(11) Subsequent events:

In order to increase Group's competitiveness, the Board of Directors has approved to establish a new company in China area through Apex Circuit (Thailand) Co., Ltd. As China has a mature electronic part supply chain. In addition, to better react to the demand of south-Eastern Asian market and the order transfer due to trade war between the U.S. and China, the Group decides to expand its third plant in Sinsakhon industrial park.

(12) Other:

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

Function Account	2019			2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	1,386,547	246,836	1,633,383	1,358,108	213,990	1,572,098
Health insurance	-	1,427	1,427	-	1,261	1,261
Pension	5,883	3,038	8,921	8,438	6,018	14,456
Remuneration to directors	-	720	720	-	-	-
Other personnel expense	145,107	53,308	198,415	137,738	59,594	197,332
Depreciation	661,865	74,447	736,312	624,737	34,742	659,479
Depletion	-	-	-	-	-	-
Amortization	5,901	5,688	11,589	4,691	6,130	10,821

Note: For the years ended December 31, 2019 and 2018, amortized deferred revenue amounting to \$32 thousand and \$30 thousand, respectively, were 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, 2019:

- (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)	22,237,434 (Note 2)	5,100,278	5,017,245	1,724,567	-	67.69 %	22,237,434 (Note 3)	Y	N	N
2	Apex Circuit (Thailand)	The Company	(Note 1)	3,929,844 (Note 4)	1,130,760	1,083,816	421,484	-	14.62 %	3,929,844 (Note 5)	N	Y	N

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

Note 2: If it was approved by Board of Directors, 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% of the Company's latest financial statements.

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.

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, 2019 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (ix) Information regarding trading in derivative financial instruments: None. 6(b) and (k)

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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
1	Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd.	3	Sales	104,928	No Comparison	1.01%
1	Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd.	3	Accounts receivable	23,524	No Comparison	0.20%

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, 2019:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2019	December 31, 2018	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 %	7,826,678	857,088	853,488	
Apex International Co., Ltd.	Approach Excellence Trading Ltd	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	9,069	(1,787)	(1,630)	

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 the Group's 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: 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, 2019 and 2018.

	December 31, 2019			
	Thailand	Others	Adjustments and eliminations	Consolidated
Revenue:				
Revenue from external customers	\$ 10,387,249	-	-	10,387,249
Revenue from transactions with other operating segments	-	104,928	(104,928)	-
Total revenue	<u>\$ 10,387,249</u>	<u>104,928</u>	<u>(104,928)</u>	<u>10,387,249</u>
Interest expense	<u>\$ 59,940</u>	<u>10,359</u>	<u>-</u>	<u>70,299</u>
Depreciation and amortization	<u>\$ 744,988</u>	<u>2,913</u>	<u>-</u>	<u>747,901</u>
Segment's profit or loss	<u>\$ 872,774</u>	<u>(27,026)</u>	<u>157</u>	<u>845,905</u>
Segment's assets	<u>\$ 11,760,579</u>	<u>74,384</u>	<u>(26,071)</u>	<u>11,808,892</u>
	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>(42,588)</u>	<u>12,141,317</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	2019	2018
Thailand	\$ 1,898,165	2,387,025
Samoa	1,726,889	2,084,778
Singapore	1,739,182	1,742,674
Korea	952,942	380,252
Others	4,070,071	4,580,369
Total	<u><u>\$ 10,387,249</u></u>	<u><u>11,175,098</u></u>

Non-current assets:

Region	December 31, 2019	December 31, 2018
Taiwan	\$ 6,470	254
Thailand	6,619,437	6,305,119
Total	<u><u>\$ 6,625,907</u></u>	<u><u>6,305,373</u></u>

Non-current assets include property, plant and equipment, right-of-use assets, 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:

	2019	2018
A customer from Thailand segment	<u><u>\$ 2,145,230</u></u>	<u><u>2,249,355</u></u>
B customer from Thailand segment	<u><u>\$ 1,726,889</u></u>	<u><u>2,084,778</u></u>
C customer from Thailand segment	<u><u>\$ 1,030,995</u></u>	<u><u>1,003,882</u></u>
D customer from Thailand segment	<u><u>\$ 1,070,478</u></u>	<u><u>901,004</u></u>