

Stock Code: 4927



**APEX INTERNATIONAL CO., LTD.**

2017  
Annual Report

This annual report is accessible at: <http://newmops.twse.com.tw>  
Apex URL: <http://www.apex-intl.com.tw>

**1. Names, titles, telephone numbers and Email addresses of the Company's Spokesperson and Deputy Spokesperson**

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Title: Vice Manager

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**5. Names of overseas stock exchanges where the Company is listed and access to such information: None**

**6. The Company's URL: <http://www.apex-intl.com.tw>**

**7. List of Board of directors and nationality and experience of independent directors with Taiwanese household registration**

Title	Name	Nationality	Experience
Chairman	Wang, Shu Mu	Taiwan, R.O.C.	Apex International Co., Ltd. Chairman Apex Circuit(Thailand) Co., Ltd. Chairman Approach Excellence Trading Ltd. Chairman
Director	Chou, Jui Hsiang	Taiwan, R.O.C.	Hong Kong Kayue Group Limited Purchasing General Manager Hong Kong Kayue Group Limited (Thailand) Vice Chairman Kaohsiung Kaen Technology Co., Ltd. R&D VP Marketing VP
Director	Lan, Chia Chen	Taiwan, R.O.C.	Thinking Electronic Industrial Co., Ltd. VP Foxlink Image Technology Co., Ltd. Manufacturing VP Kaen Technology Co., Ltd. Manufacturing VP
Director	Cheng, Yung Yuan	Taiwan, R.O.C.	Kaen Technology Co., Ltd. (Thailand)Sales VP Kaen Technology Co., Ltd. Procurement Associate Manager · R&D Manager Digital Equipment Corporation R&D Officer
Director	Shohara Masashi	Japan	Shibaura Electronics Co., Ltd. Sales Manager Volex Cable Assembly(Shenzhen)Co., Ltd. Sales Manager
Director	Somkiat Krajangjaeng	Thailand	Siam Unisoal Co., Ltd. Supervisor Samut Sakhon Hospital Technician
Director	Wu, Sen Tien	Taiwan, R.O.C.	Apex International Co., Ltd. Strategy officer
Director	Lee, Shun Chung	Taiwan, R.O.C.	Unimicron Technology Corporation. Business Manager Arima Computer Corporation Business Manager
Independent Director	Su, Chau Chin	Taiwan, R.O.C.	The Ministry of Education Advisory Office adviser National Chiao Tung University Electrical and Computer Engineering. Department head National Central University Electrical Engineering Department. Professor National Science and Technology Program for System-on-Chip CEO National Chiao Tung University Microelectronics and Information Systems Research Center deputy director
Independent Director	Chen, Yung Tsai	Taiwan, R.O.C.	Credit Suisse AG, Taipei Bank Branch Director Credit Suisse Securities Investment Advisory Co., Ltd. General manager
Independent Director	Jesadavat Priebjrivat	Thailand	MFC Asset Management Public Company Limited Senior Executive Vice President and Chief Investment Officer KGI Securities Public Company Limited Senior Executive Vice President Asian Development Bank Advisor and Specialist

**8. Name, title, telephone number and Email address of designated agent in Taiwan**

Name of representative: Wang, Shu Mu

Title: Chairman

Tel: +886-22717-0032

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## I. Letter to Shareholders

Dear Shareholders,

The Senior Management Team is pleased to report the operating result of 2017 by this report. Apex kept expanding factory scale in 2017 and has finished stage 2-3 which led more than 20% growth of sales revenue and square meters sold. Meanwhile, average selling price per square meter didn't change significantly. However raised trend of raw material made us suffer disadvantages of cost and led gross margin rate drop 5%. That made our profit drop which is not along with growing sales volume.

Although Apex faced with pressure of raising cost of material in 2017, management team remained to strengthen managing, improving production process, strictly control cost, proactively care and train employees to make SOP be well implemented and quality be well controlled which has been stable in 4<sup>th</sup> quarter of 2017. Apex will keep working hard on controlling quality and expect improvement will happen in 2018. By looking back the way we have been, challenges never stopped. Apex kept facing challenges with cautious attitude, sustained efforts and cooperative spirits in order to continuously make operation move forward to positive cycle.

On behalf of Management, we would like to thank employees, shareholders, trade partners and financial institutions for your support and trust in APEX, making us able to work through the obstacles and challenges and maintain the Company in good shape. We are expecting to have your continuing support for our future growth and success and we are committed to create more value for all our stakeholders.

### 1. 2017 Business Report

#### (1) Results of Business Plans Implemented

Amount unit: NT \$million	2017		2016		Change %
	Amount	% to sales	Amount	% to sales	
Net Sales	10,372	100%	8,560	100%	21%
Total income	10,395	100%	8,585	100%	21%
Cost of goods sold	9,311	90%	7,303	85%	27%
Gross Profit	1,084	10%	1,283	15%	-16%
Operating income	91	1%	443	5%	-79%
Interest Expenses	114	1%	102	1%	12%
Income before tax	109	1%	365	4%	-70%
Net income	78	1%	275	3%	-72%

As new technologies and designs from our end customers require more layer count, the demand of multi-layers again increased. In 2017, multi-layers percentage to total revenue was over than 80%, the main products are 4~6-layer boards which reached 79% of total sales revenue.

In the aspect of gross profit, it was 10% in 2017 which is lower than 15% of 2016. The main reason was because of raising price of raw material which eroded gross profit rate by 5%.

As for the non-operating revenue, continuous appreciation of Baht depreciation in 2017 made us have exchange gain in 2017. Meanwhile, Apex continuously executed appropriate hedge transaction to fluctuation of foreign exchange. The main tool was forward contract.

(2) Budget Implementation

Actual sales amount in 2017 was NT\$ 10.4 billion which is 101.11% of budgeted number 10.3 billion. Achievement percentage of net profit after tax was 54.05%. The reason of gap between actual and budgeted profit is the disadvantages described in previous paragraph. For this point, management team has set up plans and will continuously pay efforts to make manufacturing cost be improved in 2018.

(3) Financial Structure

Financial Ratio	2017	2016
Debt ratio (%)	60.79%	63.40%
Ratio of long-term capital to fixed assets (%)	101.61%	94.54%
Current ratio (%)	100.51%	92.12%
Receivables turnover ratio (time)	3.65	3.35
Inventory turnover ratio (time)	6.04	4.99
Return on assets ratio (%)	1.53%	3.31%
Return on equity ratio (%)	1.86%	6.78%
Earnings per share (NT dollar)	0.59	2.23

The financial structure and debt-paying ability in 2017 was improved because of proceeding of capital increase.

In management ability, account receivables turnover rate was a higher than 2016 because that the mix and ranks of customers were a little different in 2017, however the change was not significant. For inventory turnover rate, because trend of raw material was up that made us not aggressively purchase material, hence the ending balance of inventory was lower in 2017 which led higher turnover rate.

In profitable ability, because of the disadvantages described in previous paragraph, profitability dropped in 2017 by comparing to 2016.

(4) Research and Development

As a PCB manufacturer, Apex focuses on improvement of production and processing capacity in the hope that the output efficiency and quality can meet the demand of customers.

The achievements Apex accomplished with regard to upgraded, process and design in 2017 are as follows:

- Drilling bit automatic re sharp process
- Routing efficiency improve program, by optimum routing program and enlarge outline routing bit diameter finally improve around 16% efficiency
- Application of robot arms in production-stage 2

In 2018, Apex will carry out the following plans:

- Large working board ( 28 inches) process
- High reliability automobile Board process included drilling and plating process

2. 2018 Business Outlines

(1) Business Policies

- A. Concentration on the traditional multi-layers rigid PCB from 4~12 layers.
- B. Increase major customer's allocation to APEX, increase market share.
- C. Continue to develop new customer and its product.
- D. Reduce quality defective parts (DPPM) and ensure total customer satisfaction.
- E. Avoid price erosion by locking in price by half yearly instead of quarterly from price cuts by customers.

F. Flexible and immediate reaction to market movements.

(2) Projected Sales and Basis of Projection

Apex has completed expansion of stage 2-3 in 2017, hence Apex will focus on improving profit and financial structure in near future instead of keeping expanding. Therefore we could reasonably foresee that sales volume may not grow aggressively in 2018. Meanwhile, macroeconomic environment in 2018 has been better by comparing the past several year however we may undertake pressure of inflation. Apex will make efforts on proactively controlling risk to maintain in a stable situation.

(3) Production and Marketing Policy

After the new plants started production, Apex's capacity maintained at level of 460 thousand square meters each month.

Our production policy is as follows:

- A. Maintain production at full capacity to help reducing fixed overhead and maximize profit
- B. Setting the standard usage to control high unit price materials
- C. Continue improving production capability including reduction of down time and increase output
- D. Production plan according to customers' order or firm plan
- E. Setting standard period to control work in process outstanding in each process not over 1 day
- F. Continue investigate and analysis defect mode then provide corrective action in order reduce scrap ratio
- G. Disciplined, safety and 5S management over the long process of manufacturing
- H. Shorten sample lead time to support customer new product development lead time
- I. Set up real time key condition / quality yield rate / output monitoring system. In order to solve out process issue quickly
- J. Enhance PQC real time feedback system with defect trigger alarm signal for monitor process quality and stable process condition

3. Future Company Development Strategy

In the future, Apex will continue to focus on the following key areas:

- (1) Diversify the high-end product application on the Apex 2 due to the upgraded machineries being invested
- (2) Speed up the learning curve on Apex II on new products so as to improve her profit structure
- (3) Expand the strategic Korean business from the Home-Appliance Division in addition to what Apex has on the LCD-TV/STB today
- (4) Set up the in-house laboratory for future enhancement and assurance on the Apex PCB reliability
- (5) Keep factory with the constantly high loading rate of 90-95% on both Apex 1 and Apex-2-1/2-2 for best use of the layout capacity
- (6) Establish Product traceability system in order to provide better quality improvement information and risk management
- (7) Develop automatic process to provide consistence quality and reduce handling issued

4. Impacts from the External Competitive Environment, Legal Environment and Overall Management Environment

(1) External Competitive Environment

Competition in the electronic industry has remained fierce and challenges from Chinese suppliers are especially tough. However, due to Apex' objective advantage of being located in Southeast Asia and China's increasingly disadvantageous policies for low-end PCB businesses, Apex's complete edges will grow more obvious as time passes. Besides the objective advantage from the geographic location, strict cost and



quality control has also created subjective advantages and enabled Apex to meet the demand and expectations of customers.

By keeping a close watch on market developments and competition situations, Apex is able to make various strategic plans in advance, continue to exhibit its strong execution capacity, make precise estimates of customers' orders, and implement its procurement tactics and production-marketing plans in the most efficient way. Looking at 2018, Apex is confident that it will be able to continue to provide customers with high quality service, punctual deliveries and best quotations.

(2) The Legal Environment

Every country continues to adopt new regulations. Apex is aware of its social responsibility and will make every necessary effort to comply with such new regulations. The regulations on the governance of listed companies set by the competent authority in Taiwan are growing more and more comprehensive. Apex will adhere to the spirit of corporate governance, manage its business with integrity, strengthen the capacity of the board of directors, perfect the channels for communication with stakeholders, make company information transparent, keep shareholder equity in balance, and fulfill its corporate social responsibility.


(3) Overall Management Environment

Apex, as a factory located in Thailand, keeps looking for stable sources of orders. In recent years, Apex was always being threatened by PCB competitors from China with their growing capacity and declining price. However Apex keeps pursuing higher internal operating performance in order to meet customers' requirements and provide qualified services. Therefore Apex still successfully developed market in Mainland China in recent years. In 2017, sales proportion of China and Hong Kong was around 20%.

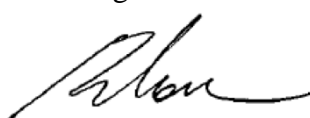
By observing 2017, Apex faced with serious challenges of raising cost of materials. In 2018, our prior goals will be that to stabilize manufacturing ability, to cautiously control production cost and to keep capacity utilization staying at high level.

Competition and challenges will not stop in the future, but Apex is fully prepared. We believe that Apex still can keep growing in such tough environment by our competitive ability and new orders.

Chairman  
Wang, Shu Mu



Chief Executive Officer  
Chou, Jui Hsiang



Accounting Managerial Personnel  
Hsu, Shou Hua



## II. Company Profile

1. Company foundation Date: Oct. 28, 2009

### 2. Group History

Year	Important Group and Company Events
2004	<ul style="list-style-type: none"> <li>➤ The subsidiary in Thailand increased its capital to 408 million bahts to expand its production capacity.</li> <li>➤ Passing QS-9000 certification.</li> </ul>
2005	<ul style="list-style-type: none"> <li>➤ Passing ISO-14001 certification.</li> <li>➤ The subsidiary in Thailand increased its capital to 508 million bahts to purchase production equipment.</li> <li>➤ Plant B was constructed to increase the monthly production capacity to 100 thousand square meters.</li> </ul>
2006	<ul style="list-style-type: none"> <li>➤ The capital was increased to 604 million bahts to finance the construction of Plant B.</li> <li>➤ A new management team was brought in for production and clientele expansion.</li> <li>➤ The Board of Investment of Thailand granted Plant B tax exemption for five years.</li> <li>➤ Passing ISO/TS-16949 certification.</li> <li>➤ Passing the Green Partner certification by Sony.</li> </ul>
2007	<ul style="list-style-type: none"> <li>➤ Plant B started full production.</li> <li>➤ Apex joined the Institute for Supply Management to set a foot in Western markets.</li> <li>➤ Apex invested in Auto-Drilling Technology Co., Ltd. to supply its own drill presses.</li> </ul>
2008	<ul style="list-style-type: none"> <li>➤ Plant C-1 was inaugurated in October.</li> <li>➤ The production capacity was raised to 145 thousand square meters in November.</li> <li>➤ New customers: Western Digital, Thompson, Samsung and Cannon.</li> </ul>
2009	<ul style="list-style-type: none"> <li>➤ Plant C-2 was inaugurated in December.</li> <li>➤ Apex signed a sales and marketing agreement with KFE Japan Co., Ltd. to seek Japanese customers.</li> <li>➤ Apex International Co., Ltd. was established as a financial holding group and plans were made for the company to become listed in Taiwan.</li> <li>➤ New customer: Hitachi HDD.</li> </ul>
2010	<ul style="list-style-type: none"> <li>➤ The investment in Auto-Drilling Technology Co., Ltd. was increased to boost drill press production capacity.</li> <li>➤ The capital was increased to NT \$842 million to expand production capacity.</li> <li>➤ The monthly production capacity was expanded from 145 thousand square meters to 165 thousand square meters in February and again increased to 180 thousand square meters in August after completion of Plant C-3.</li> <li>➤ The Taiwan office was established.</li> <li>➤ New customers: Panasonic and Pace</li> </ul>
2011	<ul style="list-style-type: none"> <li>➤ The production capacity expansion plan was completed in March/April and the monthly production capacity was increased from 180 thousand square meters to 210 thousand square meters.</li> <li>➤ The inner layer production capacity was raised by a large margin to meet the demand for multi-layer boards.</li> <li>➤ Apex made an investment to set up Approach Excellence Trading Ltd. a subsidiary, to be in charge of procurement in Taiwan for the group.</li> <li>➤ Apex was listed in Taiwan on October 18.</li> <li>➤ The Board of Investment of Thailand gave the approval for the five-year tax exemption for Plant B to extend to eight years.</li> <li>➤ New customer: Toshiba HDD</li> </ul>

Year	Important Group and Company Events
2012	<ul style="list-style-type: none"> <li>➤ The production capacity expansion plan was completed in January and the monthly production capacity increased from 210 thousand square meters to 250 thousand square meters.</li> <li>➤ The construction of the new plant APEX-II in Sinsakhon Industrial Estate officially began in March; the total investment was estimated to be NT \$5 billion.</li> <li>➤ To increase profit, Apex purchased drill presses and edge trimmers from Auto-Drilling Technology to reduce outsourcing costs and also disposed of the Auto-Drilling Technology shares.</li> </ul>
2013	<ul style="list-style-type: none"> <li>➤ The Q3 revenue achieved NT \$1.67 billion, a record high.</li> <li>➤ APEX-II launched the trial first phase production in Q4 and was scheduled to begin production in Q1, 2014.</li> <li>➤ Apex acquired new Japanese and Korean customers.</li> </ul>
2014	<ul style="list-style-type: none"> <li>➤ APEX-II officially began the first phase production in Q1.</li> <li>➤ The annual revenue reached another new high.</li> <li>➤ Production of 8-layer boards started.</li> </ul>
2015	<ul style="list-style-type: none"> <li>➤ APEX-II officially began the second phase production in Q2.</li> <li>➤ The revenue reached a new high in the second quarter.</li> <li>➤ APEX has been listed in TWSE on September 8.</li> </ul>
2016	<ul style="list-style-type: none"> <li>➤ Record high revenue of 9 billion baths.</li> <li>➤ APEX II officially began the third phase production in Q4.</li> <li>➤ Apex perform 85.68 score of the evaluation, means Apex was ranked within 6%~20% of all companies listed in TWSE. In July-2016, Apex was listed in TWSE Corporate Government 100 Index.</li> </ul>
2017	<ul style="list-style-type: none"> <li>➤ APEX-II officially began the third phase production in Q3.</li> <li>➤ Record high revenue of 10 billion baths.</li> </ul>
2018	<ul style="list-style-type: none"> <li>➤ Selected as Samsung VD member and become Samsung's Honorary Strategic Partner</li> </ul>

### 3. Company and Group Profiles

#### (1.) Company Establishment Date and Profile

Apex was founded on Oct. 28, 2009 and registered in the Cayman Islands.

Presently, the company's main business operations are production and sales of double-sided and multi-layer printed circuit boards (PCB) used in LCD TVs, set-top boxes (STBs), hard disks, printers, satellite communications equipment and multimedia equipment for automobiles. Apex's management goal is to have a firm grasp of market demand and provide products of stable quality. To achieve this, Apex enforces high-standard production management and adopts forward-looking business strategies. On top of these, the company's corporate culture stresses the importance of efficiency and harmony in order to provide consumers in the end market with electronic products of diversified range of application. After making unsparing efforts in market expansion, Apex has become an international supplier for electronics manufacturers but the endeavor to extend the range and scale of product applications is never stopped. At the same time, operation management and cost control are enhanced and appropriate pricing strategies are adopted to maintain the company's profitability. In the future, besides investment in development of new products and technologies, Apex will continuously work on the conventional rigid PCB market and meet the needs of customers.

#### (2.) Addresses and telephone numbers of the headquarters, branches offices and plants:

##### A. Headquarters: Apex International Co., Ltd. (hereinafter referred to as Apex)

Address: The Grand Pavilion Commercial Centre, Oleander Way,  
802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208.  
Tel.: +886-2-2717-0032

Taiwan branch office:

Address: (105) Room 503, 5F, No. 205, Dunhua North Road, Songshan District, Taipei City

Tel.: +886-2-2717-0032

- B. Operating headquarters and plants in Thailand: Apex Circuit (Thailand) Co., Ltd. (hereinafter referred to as APT)

Address: 39/234-236 Moo 2, Rama 2 Road, Tambol Bangkrachao, Amphur Muang, Samutsakhon 74000, Thailand

Tel.: +66-34-490537

- C. Subsidiary: Approach Excellence Trading Ltd. (hereinafter referred to as AET)

Address: Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.

Tel.: +886-2-2717-0032

Taiwan branch:

Address: (330) 1F, No. 1492-2, Chunri Road, Taoyuan City

Tel.: +886-3-316-9896

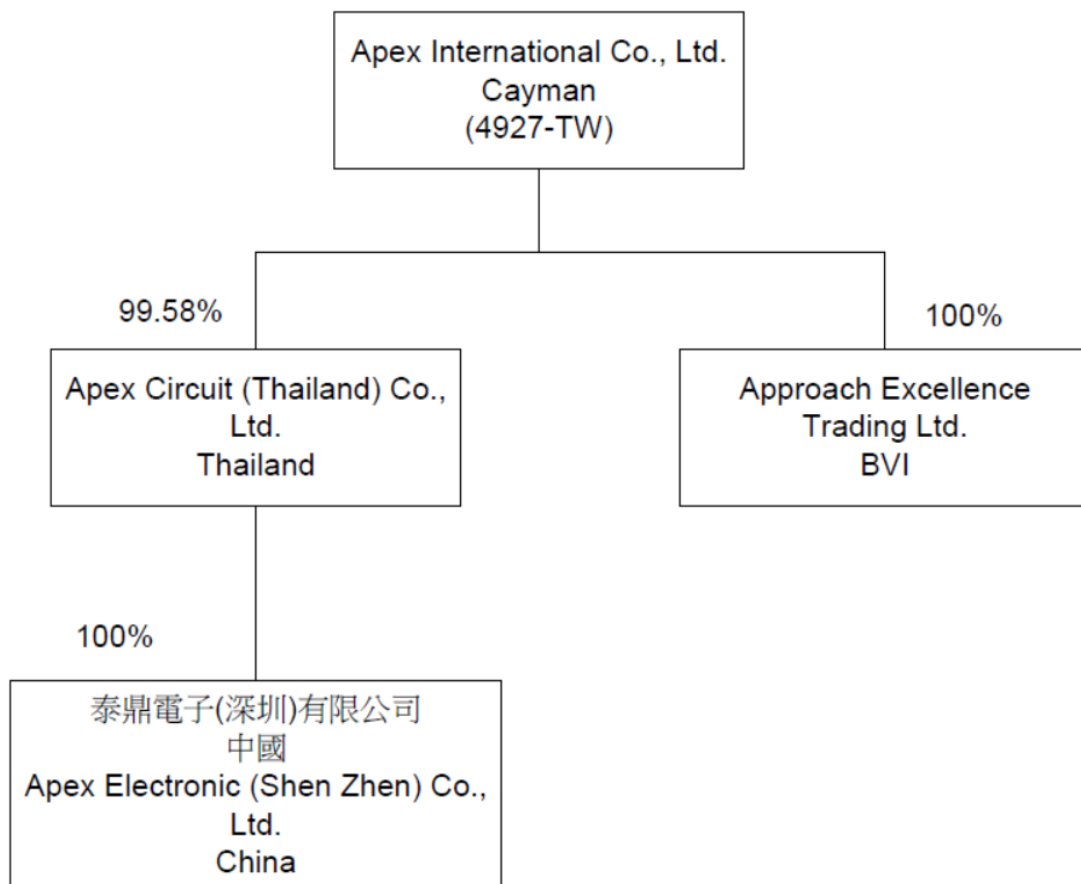
- D. Subsidiary: Apex Electronics (Shen Zhen) Co., Ltd. (hereinafter referred to as APC)

Address: Room 201, Building A, No. 1, First Qianwan Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen City (Shenzhen Qianhai Commercial Secretary Co., Ltd

Tel.: +86-755-23502841

#### 4. Group Structure

The investment structure of the group is shown in the chart below and the main business operations of each subsidiary are described as follows:



- (1) Apex is mainly a holding company and conducts no actual business activities
- (2) APT is 99.58% owned by Apex. It was founded in Sep. 2001 to be the production and operating center of the group. The PCBs APT produces are mostly exported to Japan, Korea and China to be used principally in consumer electronic products and office equipment and then in STBs, communications equipment, computer equipment and auto parts.
- (3) APC is 99.58% owned by Apex. It was founded in Nov. 2015 to be in charge of import and export of PCBs in mainland China.
- (4) AET is a wholly-owned subsidiary of Apex. A Taiwan branch was set up to be in charge of procurement of machine equipment and raw materials and shipment in the Taiwan area.

## 5. Risks

### 1. Risk factors

Risks associated with the overall economy, changes in the political and economical environments, related regulations, exchange control and recognition of ROC court decisions in the country of registration of foreign issuers and description of adopted countermeasures Apex is registered in the Cayman Islands but does not engage in actual business activities locally. The group operates mainly in Thailand and produces rigid PCBs. The overall economy, changes in the political and economic environments, related regulations, foreign exchange policies, tax regulations and risk factors in the Cayman Islands and Thailand are described as follows:

#### A. The Cayman Islands

##### a. Overall economy and changes in the political and economic environments

The Cayman Islands is located in the Caribbean Sea, 268 miles to the northwest of Jamaica and 640 miles south of Miami. They are composed of three islands. George Town is the capital city. Financial services are a main source of revenue and make the Cayman Islands the fifth largest financial center in the world.

Politically, the Cayman Islands have always been stable. English is the official language. The companies registered there can be divided into five types: ordinary companies, ordinary non-resident companies, exempted companies, exempted limited duration companies, and foreign companies. Among them, exempted companies are not allowed to operate locally but they are given preferential treatment in taxation and administration; therefore a lot of businesses in different countries have taken such treatment into account when making financial arrangements.

In recent years, the government of the Cayman Islands has made efforts to improve its reputation for extraterritorial financial operation. In 1990, it signed with the US and the UK the Mutual Legal Assistance Treaty to prevent international crime organizations from using the financial system of the Cayman Islands to make illegal deals.

The parent company of the Apex Group is a holding company registered in the Cayman Islands as an exempted company but does not engage in any business activities locally. Meanwhile, as the Cayman Islands is politically stable and also the fifth largest financial center in the world, its overall economy and changes in the political and economic environments have no significant impact on the management of Apex.

##### b. Exchange control, regulations and tax risk

There is no foreign exchange restriction in the Cayman Islands. Besides the annual license fee, exempted companies need not pay income tax or value-added tax. Apex

does not have to pay capital gains tax, income tax, earnings tax or value-added tax for its shares, bonds or other liabilities or withhold any amounts specified in tax regulations.

The main regulations on exempted companies in the Cayman Islands are as follows:

- (A) An exempted company may operate in the Cayman Islands unless such operations can promote the company's extraterritorial business.
- (B) Without the permission of the Finance Services of the Cayman Islands, an exempted company can neither offer its shares or bonds for the locals to purchase nor come in possession of land in the Cayman Islands.
- (C) There is no regulation in the Cayman Islands' Companies Law requiring exempted companies to hold shareholders' meetings. Such companies should convene shareholders' meetings and board of directors meetings according to their company charters and the meetings do not have to be held in the Cayman Islands.
- (D) Issuance of new shares requires the approval of the board of directors or shareholders' meeting.
- (E) An exempted company need not provide detailed shareholder information to the registry of the Cayman Islands.
- (F) An exempted company need not open its shareholder list to public access.
- (G) An exempted company can apply to the Cayman Islands government for a letter of agreement specifying that no tax will be imposed on the company. This document is valid for 20 years and an exempted company can apply for renewal before it expires.
- (H) An exempted company can apply to have its registration revoked and transfer the registration to another country.
- (I) An exempted company can register as a limited duration company; a limited duration company must have at least two shareholders and the maximum duration is 30 years.
- (J) Unless specially approved, a company's name may not contain terms such as bank, trust, mutual fund, insurance, royal, imperial, empire, assurance, building society or reinsurance and the registration documents must be in English.

Since the Cayman Islands adopts an open policy toward foreign exchange and imposes no regulatory restrictions, there is no significant influence on Apex's capital utilization.

The Cayman Islands government grants exempted companies' preferential tax treatment. Besides the abovementioned restrictions on business operations in the Cayman Islands, issuance of shares or bonds for the locals to purchase, acquisition of land and company names, there is no significant limitation on the operation of an exempted company.

As Apex has acquired the preferential tax treatment agreement from the Cayman Islands, according to the Tax Concession Law (amended in 1999), all regulations regarding imposition of taxes on profits, income, gains or appreciation do not apply to Apex for 20 years after registration. At the same time, Apex need not pay capital gains tax, income tax, earnings tax or value-added tax for its shares, bonds or other liabilities or withhold any amounts specified in tax regulations.

As stated above, Apex is registered in the Cayman Islands as an exempted company and does not engage in business activities locally; therefore, the tax regulations and other regulations have no significant impact on the company's overall management. However, the regulations in the Cayman Islands on the protection of rights and interests of minority shareholders are not entirely similar to those in Taiwan and regions under other jurisdiction. Therefore, Apex has acted according to Securities

and Exchange Act and Company Act of Taiwan as well as the requests of the competent authority and revised the company charter within the range permissible in the regulations of the Cayman Islands in order to protect the shareholder rights and interests of Taiwan investors. For details, see Section 4 Description of Significant Differences from Domestic Shareholder Equity Protection Regulations in Chapter VIII Additional Information.

c. Recognition of ROC court decisions on civil cases

(A) Risk in filing lawsuits and claims

Although Apex is registered in the Cayman Islands and has never applied for the recognition of the Ministry of Economic Affairs in accordance with the Company Act of the ROC, it is set forth in the company charter that the provisions in the charter may not be applied to bar any shareholder from filing litigation with a court of jurisdiction to seek remedies for decisions achieved in shareholders' meetings through inappropriate procedures and Taipei District Court will be the first instance court for disputes resulted from the aforesaid causes. Apex will appoint litigation and non-litigation agents according to the regulation of Taipei Exchange. However, when an investor files a lawsuit against a house of issue or its person in charge, the court can still act according to the nature and context of the case, whether it has the jurisdiction and the manner of service and request the investor to explain the foreign regulations involved. In other words, there is no guarantee that the courts of the ROC will achieve decisions on all such cases.

(B) Risk in recognition and execution of court decisions

There is no regulation in the laws of the Cayman Islands that the court decisions on civil cases made in the ROC (hereinafter referred to as ROC court decisions) may be enforced in the Cayman Islands. However, according to the Common Law, if ROC court decisions comply with the following requirements, courts in the Cayman Islands will review them to determine whether they recognize such decisions: (1) the foreign court making the decision has the jurisdiction; (2) the obligation of the debtor to pay the liquidated sum specified in the decision is clearly stated; (3) the decision is final; (4) the decision involves no tax payments or fines; and (5) the achievement of the decision is not contradictory to the principle of justice or public policy of the Cayman Islands and recognition and execution of the decision is also not contradictory to the principle of justice or public policy of the Cayman Islands. If the courts of the Cayman Islands do not recognize the ROC court decisions, such decisions will never be enforced even if investors are able to obtain them. Investors should be aware of the legal risk in purchasing securities issued by a foreign issuer.

(C) Law application risk derived from differences between the regulations of the Cayman Islands and the ROC

Apex was established according to the law of the Cayman Islands. To be listed at Taipei Exchange, the company revised its charter in accordance with related regulations in the ROC to protect the rights and interests of shareholders. With matters that the charter fails to cover, Apex will handle them according to the regulations of the Cayman Islands as well as ROC regulations that are applicable to foreign issuers.

However, the regulation and stock exchange system differences between the Cayman Islands and the ROC may still lead to conflicts in or interpretation of application of law. Solution of such problems will depend on court decisions. If investors wish to request a court in the Cayman Islands to execute ROC court decisions or file lawsuits or claims with a court in the Cayman Islands, the court

in the Cayman Islands will not necessarily recognize ROC regulations and transaction practices (including but not limited to share transfer approaches and shareholder records). This can create risk in filing claims against foreign companies.

## B. Thailand

- a. Overall economy and changes in the political and economic environments  
Formerly known as Siam, Thailand became independent in 1370. After the revolution in 1932, constitutional monarchy was adopted and the king of Thailand remained the head of state. In 1939, Kingdom of Thailand was decided to be the name of the country but later it was changed to Thailand in 1949. Thailand is located in the heartland of the Indochinese Peninsula between China and India. It borders with Myanmar in the northwest, Laos in the northeast, Cambodia in the east, and Malaysia in the south. The people in the entire country are Buddhists. For centuries, the country has been a melting pot of religions, cultures and ethnic groups in Southeast Asia. Totaling 513,120 square kilometers in area, the country is long and narrow, about 1,620 kilometers from north to south and 775 kilometers east to west. The population is around 69 million (2017), males accounting for 49.2% and females 50.8%. The majority of the people are Thai; other ethnic groups include Chinese and Indians. Thai is the official language; other languages include Chinese, English and Malay. Bangkok is the capital and the largest city with a population around 9 million.

Originally an agricultural country, Thailand started to adopt more liberal policies to attract foreign capital in the late 1980s. In the following ten odd years, large amounts of foreign investment went in and helped accelerate the economic growth. Unfortunately, excessive investment and poor financial management led to production-marketing imbalance and a financial crisis broke out in 1997, forcing both Thai and foreign enterprises to reduce or suspend investment in the country. After reform for a few years, the Thai economy gradually recovered. Industrial production and exportation started to pick up slowly and the exchange rate also grew more and more stable. By the middle of 2003, Thailand was finally able to pay back the loans borrowed from the International Monetary Fund during the financial crisis and the government began to look at the country's mid- and long-term development in the future with cautious optimism. However, starting in 2007, it was affected by the world recession, domestic political instability, international oil price hikes and appreciation of baht exchange rates, and the strong economic progress rates in 2003 (7.1%) and 2004 (6.3%) could no longer continue and in 2008 the growth was merely 2.6%. In the same year, large-scale political protest events took place, including the Yellow Shirts occupying the Bangkok Airport and the Red Shirts breaking into the venue of the ASEAN Summit Meeting. Under such political instability and the global financial storm, Thailand's GDP fell 2.3% in 2009, the first negative growth since the Asian Financial Crisis in 1997. By the time Abhisit took office as the prime minister, the political standoff had alleviated. On top of this, the government launched a plan to invest 1.43 trillion baths to revitalize the economy. The projects included repairing and building mass transit systems, 3G communications facilities and infrastructure such as water supply systems and roads. Besides upgrading the hardware environment needed for economic development, these projects also created jobs. Meanwhile, to stimulate consumption and domestic demand, the plan also included tax preference for new homebuyers and it was expected to boost domestic consumption and investors' confidence. As the global economy started to bounce back and external demand



also grew stronger, Thailand's economic growth achieved 8.1% in 2010. It indicated that the country had a solid economic foundation and the future was looking good.

In Jul. 2011, the Pheu Thai Party won more than half of the congress seats under the leadership of Yingluck who then became the prime minister. However, in October and November of the same year, torrential rains flooded the country. Three quarters of land was inundated. It was the worst flooding in six decades and created around 350 billion bahts of damages to Thai industries and agriculture. In 2012, the country was able to pull out of the crisis due to the government's effective policies to stimulate economic progress, including increasing the minimum wage to upgrade consumers' earnings, promote domestic demand, reducing business tax and providing car purchase subsidies, etc. These measures successfully pushed up consumption and industrial development and in turn enabled the economic growth to reach 6.5 % that year. In 2013, however, since the base period was higher earlier, plus the political unrest in October, the economic growth was only 1.7%. In 2014, the new prime minister of military promoted the economist Somkid Jatusripitak as Deputy Prime Minister to revive the Thai economy. The economic growth rate of 2014 was less than 1%. The economic growth rate in 2015 was about 2.9%, 2016 GDP growth rate is 3.2% and 2017 GDP growth rate is 3.9%, "Thailand 4.0" proposed to stimulate economy by first time in 2016. Even Thailand encountered sorrowful event in 2016 and surrounded by sadness atmosphere, King Bhumibol's demise, which couldn't stop steps of "Thailand 4.0." The new economic model is working on driving the country from labor-intensive toward highly value-added and innovation-driven pattern, from manufacturing general commodities innovative products, emphasizing on technology, Industry creativity and innovation. The Thai government will invest in public infrastructure which is more than 3 trillion baht; it will be used for construction of high-speed rail and highways. The Eastern Economic Corridor (EEC) is a more specific "Thailand 4.0" program, including the new airport, high-speed rail, freight and rail lines, the digital industry park development, etc. Those projects will lead Thai economy by clear direction in the future.

b. Exchange control, regulations and tax risk

Exchange control

The foreign exchange regulations in Thailand are mainly based on the Exchange Control Law enacted in 1942 and other regulations announced by administrative agencies. The Bank of Thailand is the central bank of Thailand and it has adopted an open attitude and liberal policies toward foreign exchange over the years.

On Mar. 3, 2008, Thailand removed the foreign exchange control measures that had been implemented for over a year. The regulation requiring detainment of 30% of incoming foreign capital to be the reserve was cancelled and the reserves formerly retained were returned.

Currently, Thailand imposes very few restrictions on foreign capital investment. Non-residents are free to borrow foreign currencies from or lend them to locals. Capital and loans can be transferred into Thailand without any restriction. As for transferring capital out of the country, whether it is to pay for purchases or services, interest expense, or issuance of bonuses or dividends, there is no control.

Taxes

- Corporate income tax: For companies established in accordance with the Thailand Limited Company Law Code, the following tax rates apply to their incomes from in and outside Thailand:

Tax Payer	Tax Rate
a. Regular companies	20% (Note 2)
b. Small companies (registered capital < THB 5 million	
THB 300 thousand < net income < THB 1 million	15%
THB 1 million < net income	20% (Note 2)

Notes:

1. Sources: Board of Investment (BOI) of Thailand, the Revenue Department of Thailand
2. According to the Tax Reduction and Exemption Bill No. 530 (passed in the cabinet meeting on Oct. 14, 2011) announced by the Revenue Department on Dec. 14, 2011, the corporate income tax rate would be reduced to 23% in the fiscal year starting on Jan. 1, 2012 and then to 20% in 2013.
  - Value-added business tax: The rate is 7% for all products and services and imported goods.
  - Import duty: The import duty is imposed according to product value or a specific tax rate.
  - Stamp duty: The stamp duty rate is between 0.05% and 0.10%, imposed according to the Stamp Duty Schedule of Thailand.
  - Dividend tax: The rate is 10%.
  - Bank interest tax: The rate for companies is 1%.
  - Commodity tax: Thailand imposes commodity tax on au mobiles, gasoline, electrical appliances, beverages, batteries, motorcycles, perfume, wool blankets, cigarettes, cigars, playing cards, etc.

To attract foreign investors, the Thai government has established investment encouragement regulations and also created the Board of Investment to handle related matters. Companies acquiring an investment preference and encouragement certificate will be able to enjoy tax incentives and preferential treatment to set up operations in the investment promotion zone as well as preferential treatment in exportation.

#### Related regulations

Thailand's Hazardous Product Liability Law took effect in the beginning of 2009. The law was enacted to provide appropriate remedies to consumers encountering damages from purchasing hazardous products. Apex does not manufacture consumer products but the law applies to manufactures and suppliers of all products, including Apex. According to this law, if consumers file lawsuits over product safety against Apex for products manufactured, sold or imported by Apex and are able to prove they have suffered damages when using or storing such products normally, Apex will bear the corresponding civil liability. At the same time, the court can decide not to accept the responsibility exemption agreement stipulated in the contract signed between Apex or Apex's distributor and the consumer. Therefore, Apex faces potential risk that exists after this law was enacted and took effect.

#### c. Recognition of ROC court decision on civil cases

Recognition and execution of ROC court decisions is not specified in the Civil Procedure Code of Thailand or the 1938 Private International Law and so far Thailand has not signed any international treaties or agreements with regard to recognition and execution of the court decisions of the ROC or any other country. However, since 1918, Thailand has adopted No. 585/2461 decision of its Supreme Court to serve as the basis of assessment. It is specified in the decision that if a court decision of a foreign country is made by a court with jurisdiction and it is the final decision on the issue in concern, Thai courts will recognize the decision. However, as Thailand practices civil law, the plaintiff has the right to file litigation

over the same claim against the defendant. The 585/2461 decision does not have the effect of case law. It can only serve as an important reference for Thai courts in determining whether they will recognize and execute foreign court decisions.

### C. China

#### a. Overall economy and changes in the political and economic environments

China is the one of the most rapidly growing economy in the world, of which the economic development hinges upon her domestic labor, her fast expansion of capital and resources, and her technological and institutional progress that further contributes to enhance efficiency in production activities in the country. To date, the Chinese government has been eagerly promoting universal education among its people as well as pursuing urbanization, bettering infrastructure, and upgrading the level of domestic consumption. Internationally, the government is also actively engaged in worldwide campaigns and organizations, gaining wider access to international resources by continually extending its global influence. As a result to the Chinese government's proactive moves, it is expected that the economy of China will remain in a state of fast growth in the future. However, a further increased trade friction between the US and China in 2018 would add uncertainties for economic growth of China.

#### b. Exchange control, regulations and tax risk

##### Exchange control

Before the Chinese economic reform, the country's Foreign Exchange Management System, as part of the planned economy, was under highly centralized management that controlled the all the foreign exchanges. It was not until the economic reform and open-up policy took place in 1978 that such management gradually became market-oriented. Since the Chinese government adopted the floating exchange rate policy in July 21, 2005, the exchange rate of RMB has been officially unpegged to that of USD; a basket of foreign currencies are used instead as reference for rate adjustments, which enables RMB to float at a rate closer to the supply and demands of the market.

The changes in RMB/USD exchange rate may, to some degree, have uncertain influence on the future cash flow, profitability, appropriation of net income, and financial status of the company; advance planning is thus required in response to how measures taken by the government to regulate foreign exchanges would affect our overall capital management. As a result of the many regulating rules, statues, and notices concerning foreign exchanges established by the Chinese government, RMB exchanges have to be conducted accordingly while foreign enterprises have to exchange RMB into foreign currencies for dealings through designated foreign exchange banks.

China's State Administration of Foreign Exchange has always had strict rules on the foreign exchange of the capital account. Our subsidiary in China was established through legitimate registration process, through which the capital invested was approved and documented by relevant authorities.

##### Taxes

In 2007, the Enterprise Income Tax Law of the People's Republic of China (hereinafter referred to as the "New Enterprise Income Tax Law") and the Regulation on the Implementation of the Enterprise Income Tax Law of the

People's Republic of China (hereinafter referred to as the “New Enterprise Income Tax Law and Its Implementation Clauses”) were respectively passed on March 16 and December 6; as a result, a uniform income tax at a rate of 25% is levied on both Chinese and Foreign enterprises. Based on the “New Enterprise Income Tax Law and Its Implementation Clauses”, the tax system is unified as an effort to eliminate incentives to fake foreign investments besides balancing domestic and foreign enterprises; moreover, cutting tax preferences also allows the tax system to become more transparent and thus reduces possible adjustments in taxation. Owing to the standard 25% enterprise income tax rate, the tax preferences for both foreign and domestic funded enterprises no longer exist. In addition, regarding value-added tax, according to the “Provisional Regulations of the People's Republic of China on Value-Added Tax”, units and individuals that conduct the sale of goods, repairing services, or the importation of merchandise shall be regarded as VAT taxpayers; the tax rate is between 0% and 17% while export duty is zero rated.

In conclusion, the company makes all the tax payments according to relevant regulations promulgated by the government of the People’s Republic of China; therefore, the influence of tax risk shall have limited influence on our business.

#### Related regulations

Since January 1, 2008, China has adopted the Labor Contract Law, based on which enterprises are required to sign a written labor contract within a month once the employment, probation periods included, begins. In the case that the employer fails to conclude a written labor contract with the employee after the lapse of more than one month but less than one year as of the day on which the employment is established, it shall pay to the employee his monthly wages at double amount. Moreover, once the employment is expired and terminated under certain circumstances specified in the Labor Contract Law, the employer is required to give economic compensations; however, if the employer proposes the renewal of the contract with terms equivalent to or better than the present ones and yet is rejected by the employee, such economic compensations may be thus exempted. The economic compensations shall be calculated according to the employee’s seniority with exception of certain periods specified by the local governments before 2008. In general, the compensations shall be given to an employee based on the number of years he has worked for the employer and at the rate of one month's wage for each full year he worked; any period of no less than six months but less than one year shall be counted as one year; the economic compensations payable to an employee for any period of less than six months shall be one-half of his monthly wages. In the case where a written employment contract is absent, yet a period of employment for a month or more is validated by an arbitration award or judgment of the court, the employer is hence required to pay the employee his monthly wages at double amount, accompanied by compensations calculated through the abovementioned method as the employment expires and terminates with no exemptions.

In summary, the implementation of the Labor Contract Law may increase the cost of labor for the company as well as bring forth uncertain influence on our financial status; however, a more harmonious labor relation is expected due to the clear definitions and regulations of the employment relationship provided by the law.

#### c. Recognition of ROC court decision on civil cases

According to the “Provisions of the Supreme People's Court on the People's Courts'

Recognition of Civil Judgments of the Relevant Courts of the Taiwan Region” and the “Supplementary Provisions of the Supreme People's Court on the People's Courts' Recognition of Civil Judgments of the Relevant Courts of the Taiwan Region” promulgated by the Supreme People’s Court of China, in the case that the residence, habitual residence, or the venue of property execution of the party receiving the judgment issued in Taiwan is located in other provinces, autonomous regions, or special municipalities in the mainland, the other party receiving the judgment may apply for judgment recognition or property preservation to the courts in China, provided that such applications are submitted within two years after the judgment is rendered final and binding. The civil judgments made by the courts in Taiwan and recognized in China shall be equally effective as judgments issued by the courts in the Chinese mainland; therefore, the courts in China are obligated to accept such applications for execution.

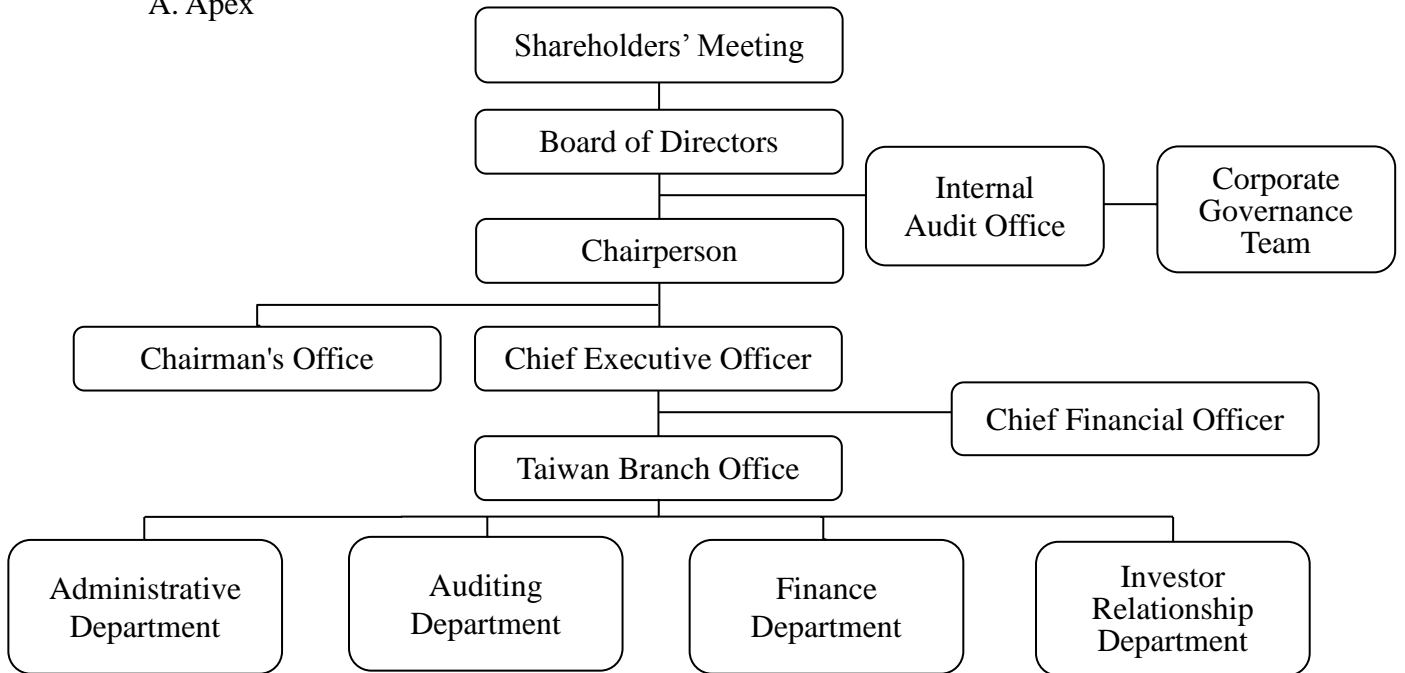
To sum up, the civil judgments issued in Taiwan are still not recognized unconditionally by the courts in China; moreover, there is uncertainty concerning the time as well as effectiveness of the delivery of litigation documents, the process of applying for recognitions, and the requests for execution; therefore, with regard to the effectiveness of the final and binding civil judgements made by the courts in Taiwan, the risk of not being able to acquire recognition or to be granted execution still remains.

### III. Corporate Governance Report

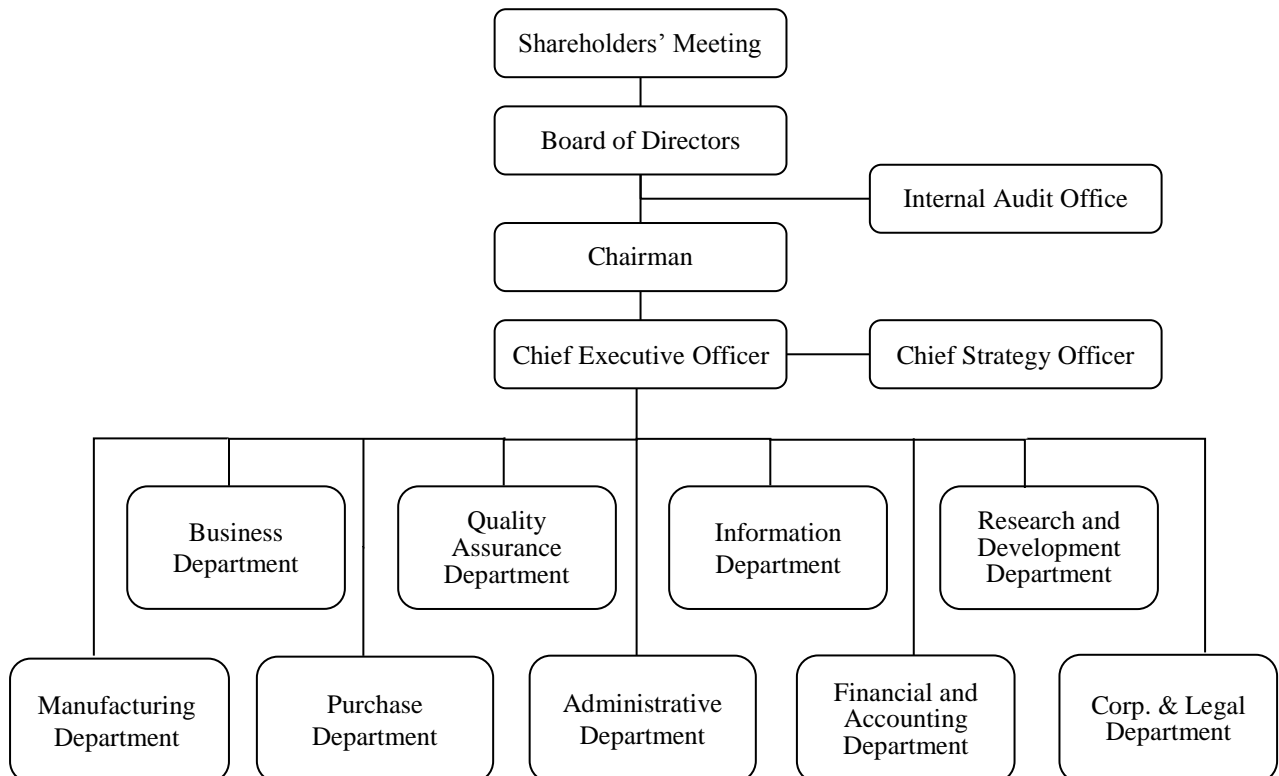
#### 1. Organizational Structure

##### (1) Organizational structure chart

###### A. Apex



###### B. APT



(1) Department Functions

Name of Department	Functions
Internal Audit Office	Assessment of the comprehensiveness and reasonableness of the company's internal control system and the effectiveness of task execution by each department. Execution of internal audits, compilation of audit reports and provision of suggestions and improvement measures. Promotion of corporate social responsibility and the ethical management policy.
Corporate Governance Team	Planning, Implement and report the progress/performance to BOD meeting comply with the "Principle of Corporate Governance", "Principle of Corporate Social Responsibility", "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" of Company.
Chief Executive Office	Establishment of the company's mid- and long-term plans, execution of special projects and consolidation of unit reports for the board of directors
Chief Strategy Officer	Assistance to the chief executive officer in establishment of the company's mid- and long-term strategies and execution of special projects
Manufacturing Department	Production, sustenance of quality, and control of production capacity and use of raw materials Production and public equipment maintenance
Business Department	Establishment of market strategies, establishment and execution of marketing plans, customer and supplier contact and problem solution, delivery tracking, and customer service
Purchase Department	Procurement and management of raw materials and machine equipment Importation/exportation, transportation and warehousing operations
Quality Control Department	Quality inspection, establishment of quality policies, regulations and criteria, confirmation of quality compliance with customers' standards, and customer complaint handling
Administrative Department	Establishment of personnel regulations, human resource recruitment and training, establishment of pay scales, performance evaluation, and reward and punishment administration Establishment and execution of workplace safety policies and management of administrative affairs Management of importation affairs and imported goods to ensure all related operations comply with the regulations of the Board of Investment of Thailand
Information Department	Establishment of plans, installation, development and management of the company's information systems and equipment Establishment and execution of information security policies
Finance and Accounting Department	Design and revision of the accounting system and bookkeeping Calculation and analysis of production costs and management of tax affairs Bank correspondence and capital distribution, budget setup, and financial risk control
Research and Development Department	Improvement of quality and production capacity, development of new technologies and collection of new technology information.
Corp. & Legal Department	Provision of legal advice on business operations for the management to ensure company operations comply with regulations, and review of contracts and participation in contract negotiations.

Name of Department	Functions
Taiwan Branch Office	<ul style="list-style-type: none"> <li>△ Management Department: <ul style="list-style-type: none"> <li>● Management of procurement, general affairs, business affairs and company property</li> <li>● Management of personnel, payroll and training</li> </ul> </li> <li>△ Finance Department: <ul style="list-style-type: none"> <li>● Bank credit extension and correspondence</li> <li>● Analysis of interest and exchange rates and establishment of hedging plans</li> <li>● Long-term fund raising and short-term financing</li> <li>● Provision of support in financial analysis of special projects and assessment of financial risk</li> <li>● New shareholder account opening, change of shareholder information, issuance of dividends and other stock affairs</li> <li>● Convention of shareholders' meetings and board of directors meetings and related affairs</li> <li>● Posting of shareholder services information on the Market Observation Post System</li> </ul> </li> <li>△ Accounting Department: <ul style="list-style-type: none"> <li>● Establishment and improvement of the accounting system</li> <li>● Accounting department checkout</li> <li>● Posting of Accounting information on the Market Observation Post System</li> </ul> </li> <li>△ Investor Relationship Department: <ul style="list-style-type: none"> <li>● Promote sound corporate governance systems</li> <li>● Maintaining relationships with the Group's shareholders and the broader investment community</li> </ul> </li> </ul>



2. Information on directors (including independent directors), general managers, vice general managers, assistant general managers, and heads of departments and branch offices

(1.1) Information on directors (including independent directors)

Apr. 17, 2018; unit: share; %

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Currently Held in Apex and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
Director	Taiwan, R.O.C.	Wang, Shu Mu	Male	2016.06.15	3	2009.10.28	1,000,000	0.82%	1,164,371	0.81%	0	0%	0	0%	SooChow University Business Mathematics Department Apex International Co., Ltd. Chairman Apex Circuit(Thailand) Co., Ltd. Chairman Approach Excellence Trading Ltd. Chairman	Apex Circuit(Thailand) Co., Ltd. Chairman Approach Excellence Trading Ltd. Chairman	None	None	None
Director	Taiwan, R.O.C.	Chou, Jui Hsiang	Male	2016.06.15	3	2009.12.17	458,216	0.37%	833,427	0.58%	0	0%	0	0%	Aletheia University International Business and Trade Department Hong Kong Kayue Group Limited Purchasing General Manager Hong Kong Kayue Group Limited (Thailand) Vice Chairman Kaohsiung Kaen Technology Co., Ltd. R&D VP Marketing VP	Apex International Co., Ltd. General manager Apex Circuit (Thailand) Co., Ltd. Director CEO	None	None	None
Director	Taiwan, R.O.C.	Lan, Chai Chen	Male	2016.06.15	3	2009.12.17	222,976	0.18%	559,575	0.39%	0	0%	0	0%	Cheng Shiu University Electronics Department Thinking Electronic Industrial Co., Ltd. VP Foxlink Image Technology Co., Ltd. Manufacturing VP Kaen Technology Co., Ltd. Manufacturing VP	Apex Circuit (Thailand) Co., Ltd. Director EVP	None	None	None

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Currently Held in Apex and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
Director	Taiwan, R.O.C.	Cheng, Yung Yuan	Male	2016.06.15	3	2009.12.17	334,464	0.27%	645,166	0.44%	0	0%	0	0%	National Kaohsiung University of Applied Sciences Electronic Engineering Department Kaen Technology Co., Ltd. (Thailand) Sales VP Kaen Technology Co., Ltd. Procurement Associate Manager · R&D Manager Digital Equipment Corporation R&D Officer	Apex Circuit (Thailand) Co., Ltd. CPO	None	None	None
Director	Japan	Shohara Masashi	Male	2016.06.15	3	2012.06.27	0	0%	0	0%	0	0%	0	0%	Hiroshima Shudo University Humanities Faculty English Literature Department Shibaura Electronics Co., Ltd. Volex Cable Assembly (Shenzhen) Co., Ltd.	Apex Circuit (Thailand) Co., Ltd. Marketing VP	None	None	None
Director	Thailand	Somkiat Krajangjaeng	Male	2016.06.15	3	2012.06.27	0	0%	0	0%	0	0%	0	0%	Siam University Mechanical Engineering Department Siam Unisoal Co., Ltd. Supervisor Samut Sakhon Hospital Technician	Apex Circuit (Thailand) Co., Ltd. VP	None	None	None
Director	Taiwan, R.O.C.	Wu, Sen Tien	Male	2016.06.15	3	2016.06.15	0	0%	0	0%	0	0%	0	0%	National ChengChi University Department of Money and Banking Apex International Co., Ltd. Strategy officer	Apex International Co., Ltd. Strategy officer	None	None	None

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Currently Held in Apex and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
Director	Taiwan, R.O.C.	Lee, Shun Chung	Male	2016.06.15	3	2016.06.15	0	0%	0	0%	107,683	0.07%	0	0%	National ChengChi University Department of Business Administration Unimicron Technology Corporation. Business Manager Arima Computer Corporation Business Manager	Apex Circuit (Thailand) Co., Ltd.CBO	None	None	None
Independent Director	Taiwan, R.O.C	Su, Chau-Chin	Male	2016.06.15	3	2016.06.15	0	0%	0	0%	0	0%	0	0%	Wisconsin Madison University USA Doctor of Philosophy The Ministry of Education Advisory Office adviser National Chiao Tung University Electrical and Computer Engineering. Department head National Central University Electrical Engineering Department. Professor National Science and Technology Program for System-on-Chip CEO National Chiao Tung University Microelectronics and Information Systems Research Center deputy director	National Chiao Tung University Electrical and Computer Engineering .Professor	None	None	None
Independent Director	Taiwan, R.O.C	Chen, Yung-Tsai	Male	2016.06.15	3	2016.06.15	35,000	0.03%	40,744	0.03%	0	0%	0	0%	Tatung University Master of Business Management Credit Suisse AG, Taipei Bank Branch Director Credit Suisse Securities Investment Advisory Co., Ltd. General manager	Celxpert Energy Corporation. Director	None	None	None

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Currently Held in Apex and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relation
Independent Director	Thailand	Jesadavat Priebjrivat	Male	2016.06.15	3	2010.06.11	0	0%	0	0%	0	0%	0	0%	New York University USA Master of Business Administration George Washington University USA Master' of Engineering Administration MFC Asset Management Public Company Limited Senior Executive Vice President and Chief Investment Officer KGI Securities Public Company Limited Senior Executive Vice President Asian Development Bank Advisor and Specialist	Apex Circuit (Thailand) Co., Ltd. Independent Director	None	None	None

1. Main shareholders of juristic shareholders: None (no directors or independent directors represent juristic persons)
2. Main shareholders of juristic shareholders being the main shareholders of the juristic persons: None

(1.2) Professional background and independence of directors (including independent directors)

Name	Requirements			Level of Independence (Note 1)										Number of other listed companies where independent directorships are concurrently held	
	Having over five years of work experience and the following qualifications	Having held the position of instructor or higher of business, law, finance, accounting or a discipline the company needs in a public or private university	Having passed a national examination and obtained the certificate to be a court judge, prosecutor, lawyer or accountant or a specialist the company needs	Having experience in business, legal affairs, financial affairs, accounting or a field the company needs	1	2	3	4	5	6	7	8	9		10
Wang, Shu Mu			V				V	V	V	V	V	V	V	V	None
Chou, Jui Hsinag			V			V	V	V	V	V	V	V	V	V	None
Lan, Chai Chen			V			V	V	V	V	V	V	V	V	V	None
Cheng, Yung Yuan			V		V	V	V	V	V	V	V	V	V	V	None
Shohara Masashi			V		V	V	V	V	V	V	V	V	V	V	None
Somkiat Krajangjaeng			V		V	V	V	V	V	V	V	V	V	V	None
Wu, Sen-Tien			V		V	V	V	V	V	V	V	V	V	V	None
Lee,Shun-Chung			V		V	V	V	V	V	V	V	V	V	V	None
Su, Chau-Chin		V		V	V	V	V	V	V	V	V	V	V	V	None
Chen, Yung-Tsai			V	V	V	V	V	V	V	V	V	V	V	V	None
Jesadavat Priebrjivat			V	V	V	V	V	V	V	V	V	V	V	V	None

Note 1: The meanings of the codes for the requirements for each director or supervisor in the two years prior to the appointment and during the office term:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or its affiliate (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
- (7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) General managers, vice general managers, assistant general managers, and heads of departments and branch offices of Apex and main operating office

Apr. 17, 2018; unit: share; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held in Other Companies	Spouse or Relatives within the First Two Degrees Holding Managerial Positions		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman & APT Chief Strategy Officer	Taiwan, R.O.C.	Wang, Shu Mu	Male	2006.05.02	1,164,371	0.81%	0	0%	0	0%	SooChow University Business Mathematics Department Apex International Co., Ltd. Chairman Apex Circuit(Thailand) Co., Ltd. Chairman Approach Excellence Trading Ltd. Chairman	Apex Circuit(Thailand) Co., Ltd. Chairman Approach Excellence Trading Ltd. Chairman	None	None	None
Chief Executive Officer	Taiwan, R.O.C.	Chou, Jui Hsiang	Male	2006.05.02	833,427	0.58%	0	0%	0	0%	Aletheia University International Business and Trade Department Hong Kong Kayue Group Limited Purchasing General Manager Hong Kong Kayue Group Limited (Thailand) Vice Chairman Kaohsiung Kaen Technology Co., Ltd. R&D VP ∙ Marketing VP	Apex International Co., Ltd. Director ∙ General manager Apex Circuit (Thailand) Co., Ltd. Director ∙ CEO	None	None	None
Chief Financial Officer	Thailand	Maliwan Chinvorakijkul (Note 1)	Female	2006.05.02	235,857	0.16%	0	0%	0	0%	Department of Accounting, Tammasat University, Thailand Financial Controller, Finance Department, B. Grimm J.V. Holding Ltd Finance Director, Captronic International (Thailand) PCL. Auditor, Ernst & Young Office Ltd.	Apex Circuit (Thailand) Co., Ltd. Director	None	None	None
Chief Finance Officer & Chief Accounting Officer	Taiwan, R.O.C.	Hsu, Shou Hua (Note 2)	Male	2015.03.16	0	0%	0	0%	0	0%	Department of Public Finance, National Chengchi University Graduate Institute of Public Finance, National Chengchi University Assistant Manager, Deloitte Taiwan	None	None	None	None
Chief Strategy Officer	Taiwan, R.O.C.	Wu, Sun Tian	Male	2015.10.02	0	0%	0	0%	0	0%	National ChengChi University Department of Money and Banking	Apex International Co., Ltd. Director	None	None	None
Chief Procurement Officer	Taiwan, R.O.C.	Cheng, Yung Yuan (Note 3)	Male	2007.05.21	645,166	0.44%	0	0%	0	0%	National Kaohsiung University of Applied Sciences Electronic Engineering Department Kaen Technology Co., Ltd. (Thailand)Sales VP Kaen Technology Co., Ltd. Procurement Associate Manager ∙ R&D Manager Digital Equipment Corporation R&D Officer	Apex International Co., Ltd. Director Apex Circuit (Thailand) Co., Ltd. CBO	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held in Other Companies	Spouse or Relatives within the First Two Degrees Holding Managerial Positions		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Executive Vice President	Taiwan, R.O.C.	Lan, Chai Chen	Male	2009.07.28	559,575	0.39%	0	0%	0	0%	Cheng Shiu University Electronics Department Thinking Electronic Industrial Co., Ltd. VP Foxlink Image Technology Co., Ltd. Manufacturing VP Kaen Technology Co., Ltd. Manufacturing VP	Apex International Co., Ltd. Director Apex Circuit (Thailand) Co., Ltd. Director · EVP	None	None	None
Chief Technology Officer	Taiwan, R.O.C.	Chen, Du Chuan	Male	2012.04.01	300,000	0.21%	0	0%	0	0%	Electrical Engineering, Department of Industrial Education, National Changhua University of Education General Manager, E-Sun Technology Co., Ltd. General Manager, Yichia Technology Co., Ltd. Director or Research and Development Department, Foxlink Image Technology Co., Ltd. Vice General Manager, Chungtao Electronics Co., Ltd. Assistant General Manager of Research and Development, Kaohsiung Caen Technology Co., Ltd. Senior Research and Development Engineer, Topward Electronics Co., Ltd.	None	None	None	None
Vice President	Thailand	Somkiat Krachangjang	Male	2012.08.01	0	0%	0	0%	0	0%	Siam University Mechanical Engineering Department Siam Unisoal Co., Ltd. Supervisor Samut Sakhon Hospital Technician	Apex International Co., Ltd. Director	None	None	None
Chief Business Officer	Taiwan, R.O.C.	Lee, Shun Chung (Note 4)	Male	2011.11.15	0	0%	107,683	0.07%	0	0%	Department of Administration, National Chengchi University Manager of Sales Department, Unimicron Co.Ltd Assistant Manager of Sales Department, Arima Photovoltaic & Optical Corp.	Apex International Co., Ltd. Director	None	None	None
Vice President	Japan	Shohara Masashi	Male	2013.06.26	0	0%	0	0%	0	0%	Hiroshima Shudo University Humanities Faculty English Literature Department Shibaura Electronics Co., Ltd. Volex Cable Assembly(Shenzhen)Co.,Ltd.	Apex International Co., Ltd. Director	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Positions Concurrently Held in Other Companies	Spouse or Relatives within the First Two Degrees Holding Managerial Positions		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	Thailand	Narumol Prapaitrakul	Female	2014.09.01	0	0%	0	0%	0	0%	Department of Accounting, Chulalongkorn University, Thailand Assistant Manager, Ernst & Young Official Limited Vice President, Globlex Securities Co., Ltd. Vice President, Finance Department, Globlex Holding Management PLC.	None	None	None	None
Vice President	Thailand	Sommaiphuengmi	Male	2017.07.01	0	0%	0	0%	0	0%	Department of Electrical Engineering, Southeast Asia University Manufacturing Manager, Shye Feng Enterprise(Thailand) Co., Ltd	None	None	None	None
Audit Managerial Personnel	Taiwan, R.O.C.	Yang, Hsin Wang	Male	2015.03.16	0	0%	0	0%	0	0%	Department of Land Economics, National Chengchi University Revenue Officer, National Taxation Bureau of Taipei, Ministry of Finance	None	None	None	None

Note 1: Leave Chief Financial Officer and change to Apecial Assistant of Chief Executive Office on Jan. 01, 2018. Relative information will be updated as of Jan. 01, 2018.

Note 2: Change to Chief Financial Officer on Jan. 01, 2018.

Note 3: Assign from Chief Sales and material Officer to Chief Procurement Officer on Nov. 15, 2017 due to organizational restructuring of APT.

Note 4: Assign from Vice President to Chief Business Officer on Nov. 15, 2017 due to organizational restructuring of APT.



### 3. Remuneration for directors, general managers and vice general managers in recent years

#### (1) Remuneration for directors (including independent directors)

Unit: NT\$ thousand;

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)				Severance Pay (F)							Employee Compensation (G)	
		APEX	All companies in the consolidated financial statements	APEX	All companies in the consolidated financial statements	APEX	All companies in the consolidated financial statements	APEX	All companies in the consolidated financial statements	APEX	All companies in the consolidated financial statements	APEX	All companies in the consolidated financial statements	APEX	All companies in the consolidated financial statements	APEX	All companies in the consolidated financial statements	APEX		All companies in the consolidated financial statements			APEX	All companies in the consolidated financial statements
Chairman	Wang, Shu Mu																							
Director	Chou, Jui Hsiang																							
Director	Lan, Chai Chen																							
Director	Cheng, Yung Yuan																							
Director	Shohara Masashi																							
Director	Somkiat Krajangjaeng	2,376	2,914	0	0	0	0	0	0	3.03%	3.72%	2,499	18,040	0	0	0	0	0	0	0	0	6.21%	26.71%	None
Director	Wu, Sun Tian																							
Director	Lee, Shun Chung																							
Independent Director	Su, Chau-Chin																							
Independent Director	Chen, Yung-Tsai																							
Independent Director	Jesadavat Priebjrivat																							

Remuneration Table

Remuneration for Directors of Apex and All the Companies Listed in the Consolidated Financial Statement	Names of Directors			
	Total of A+B+C+D		Total of A+B+C+D+E+F+G	
	Apex	All the companies listed in the consolidated financial Statement	Apex	All the companies listed in the consolidated financial Statement
Under NT\$ 2,000,000	Wang, Shu Mu Chou, Jui Hsiang Lan, Chai Chen Cheng, Yung Yuan Shohara Masashi Somkiat Krajangjaeng Wu, Sun Tian Lee, Shun Chung Su, Chau-Chin Chen, Yung-Tsai Jesadavat Priebjrivat	Wang, Shu Mu Chou, Jui Hsiang Lan, Chai Chen Cheng, Yung Yuan Shohara Masashi Somkiat Krajangjaeng Wu, Sun Tian Lee, Shun Chung Su, Chau-Chin Chen, Yung-Tsai Jesadavat Priebjrivat	Wang, Shu Mu Chou, Jui Hsiang Lan, Chai Chen Cheng, Yung Yuan Shohara Masashi Somkiat Krajangjaeng Wu, Sun Tian Lee, Shun Chung Su, Chau-Chin Chen, Yung-Tsai Jesadavat Priebjrivat	Wang, Shu Mu Shohara Masashi Somkiat Krajangjaeng Wu, Sun Tian Lee, Shun Chung Su, Chau-Chin Chen, Yung-Tsai Jesadavat Priebjrivat
NT\$2,000,001 ~ NT\$5,000,000				Chou, Jui Hsiang Lan, Chai Chen Cheng, Yung Yuan
NT\$5,000,001 ~ NT\$10,000,000				
NT\$10,000,001 ~ NT\$15,000,000				
NT\$15,000,001 ~ NT\$30,000,000				
NT\$30,000,001 ~ NT\$50,000,000				
NT\$50,000,001 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	11	11	11	11

Remuneration for supervisors in recent years: Apex does not have supervisors.

(2) Remuneratin for general managers and vice general managers

Unit: NT\$ thousand; share

Title	Name	Salary (A)		Retirement Pension (B)		Rewards, Special Allowances, and etc. (C)		Employee Bonus(D)				Ratio of Total of A+B+C+D to Net After-tax Profit (%)		Remuneration from Non-subsiary Businesses Set up through Reinvestment
		Apex	All the companies listed in the consolidated financial Statement	Apex	All the companies listed in the consolidated financial Statement	Apex	All the companies listed in the consolidated financial Statement	Apex		All the companies listed in the consolidated financial Statement		Apex	All the companies listed in the consolidated financial Statement	
								Cash	Stock	Cash	Stock			
Chairman & APT Chief Strategy Officer	Wang, Shu Mu	2,227	19,136	0	0	271	6,050	0	0	0	0	3.19%	32.11%	None
Chief Executive Officer	Chou, Jui Hsiang													
Chief Financial Officer	Maliwan Chinvorakijkul (Note 1)													
Chief Strategy Officer	Wu, Sen Tian													
APT Chief Procurement Officer	Cheng, Yung Yuan													
APT Executive Vice President	Lan, Chia Chen													
APT Chief Business Officer	Lee, Shun Chung													
Vice President	Somkiat Krachanjang													
Vice President	Sommaiphuengmi													
Vice President	Shohara Masashi													
Vice President	Narumol Prapaitrakul													

Note 1: Leave Chief Financial Officer position on Jan. 01, 2018 and change to another position as special assistant of Chief Executive Office.

Remuneration Table

Remuneration for General Managers and Vice General Managers of Apex and All the Companies Listed in the Consolidated Financial Statement	Names of General Managers and Vice General managers	
	Apex	All the Companies Listed in the Consolidated Financial Statement
Under NT\$ 2,000,000	Wang, Shu Mu Wu, Sen Tian Chou, Jui Hsiang Lan, Chai Chen Cheng, Yung Yuan Chen, Du Chuan Lee, Shun Chung Narumol Prapaitraku Maliwan Chinvorakijkul Somkiat Krachangjang Shohara Masashi Sommai Phuengmi	Wang, Shu Mu Wu, Sen Tian Chou, Jui Hsiang Lan, Chai Chen Cheng, Yung Yuan Chen, Du Chuan Lee, Shun Chung Narumol Prapaitraku Maliwan Chinvorakijkul Somkiat Krachangjang Shohara Masashi Sommai Phuengmi
NT\$2,000,001 ~ NT\$5,000,000		Chou, Jui Hsiang Lan, Chai Chen Cheng, Yung Yuan Chen, Du Chuan Narumol Prapaitraku
NT\$5,000,001 ~ NT\$10,000,000		
NT\$10,000,001 ~ NT\$15,000,000		
NT\$15,000,001 ~ NT\$30,000,000		
NT\$30,000,001 ~ NT\$50,000,000		
NT\$50,000,001 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	12	12

- (3) Names of managers receiving employee bonuses and amounts: This does not happen in Apex.
- (4) Analysis of ratios of the total remuneration for directors, supervisors, general managers and vice general managers of Apex and all the companies listed in the consolidated financial statement to the net after-tax profit in the last two years:

Year	Total Remuneration (NT \$thousand)		Ratio to Net After-tax Profit (%)	
	Apex	Other Companies in the Consolidated Financial Statement	Apex	Other Companies in the Consolidated Financial Statement
2016	4,980 (Note1)	28,933 (Note1)	1.82	10.59
2017	4,875	28,101	6.21	35.82

Note1 : Include the new elected directors and pre-election directors on Jun. 15, 2016.

- (5) Correlations of remuneration payment procedures with management performance and future risk:
- The remuneration for directors (including independent directors) is specified in Article 34 of Apex's company charter and the shareholders' meeting has given approval and authorized the board of directors to establish the criteria according to the directors' participation in company operations and contributions as well as the standards adopted in similar businesses. The general managers and vice general managers run company operations according to the instructions of the board of directors; their appointment, dismissal and remuneration are conducted in accordance with the company charter. As for the reward system, it is implemented according to the business development of Apex and its affiliates with the approval of the shareholders' meeting.
- Apex's operating performance, future business fluctuations and likely operation, transaction and financial risks in the future are also taken into account when the remuneration for directors (including independent directors), general managers and vice general managers in Apex is determined.

#### 4. Corporate Governance Status

##### (1) Board of Directors

7 times of board of directors meetings were convened in 2017 and the attendance is as shown in the chart below:

Title	Name	No. of Times of Actual Attendance	No. of Times of Attendance by Proxy	Actual Attendance Rate %	Remark
Chairman	Wang, Shu Mu	7	0	100.00%	
Director	Chou, Jui Hsiang	7	0	100.00%	
Director	Cheng, Yung Yuan	6	1	85.71%	
Director	Lan, Chai Chen	6	1	85.71%	
Director	Shohara Masashi	7	0	100.00%	
Director	Somkiat Krajangjaeng	7	0	100.00%	
Director	Wu, Sen-Tien	7	0	100.00%	
Director	Lee, Shun-Chung	7	0	100.00%	
Independent Director	Su, Chau-Chin	6	1	85.71%	
Independent Director	Chen, Yung-Tsai	7	0	100.00%	
Independent Director	Jesadavat Priebjrivat	7	0	100.00%	

Other information to be recorded:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act :

Dates of the meetings (Sessions)	The contents of the motion	All independent directors' opinions and the company's response
2017.03.15 (6th time of fourth session)	Proposal to discuss 2017 CPA-audited and certified financial report and audit fee process by KPMG	the proposal be and hereby were accepted as proposed unanimously by all independent directors
	Proposal to discuss the 2017 compensation of Director of subsidiary Approach Excellence Trading Ltd	the proposal be and hereby were accepted as proposed unanimously by all independent directors
	Proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. granting dividend bonus to Directors	Independent Directors recused themselves from the discussion and voting
2017.10.24 (10th time of fourth session)	Proposal to approve that the Company endorses and guarantees for subsidiary Apex Circuit (Thailand) Co., Ltd.	the proposal be and hereby were accepted as proposed unanimously by all independent directors
	Proposal to approve the investment to the major subsidiary Apex Circuit (Thailand) Co., Ltd.	the proposal be and hereby were accepted as proposed unanimously by all independent directors
2017.12.19 (12th time of fourth session)	Proposal to discuss the result of managerial officers' performance evaluation in 2017 as well as the annual bonus plan.	the proposal be and hereby were accepted as proposed unanimously by all independent directors
	Proposal to review the remuneration of Group directors in year 2018.	Independent Directors recused themselves from the discussion and voting
	Proposal to approve the alternation of the Company's CFO	the proposal be and hereby were accepted as proposed unanimously by all independent directors

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors : None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Dates of the meetings (Sessions)	Director Name	The contents of the motion	The reasons for the avoidance of benefits and the circumstances of the voting
2017.03.15 (6th time of fourth session)	Wang, Shu-Mu	Proposal to discuss the 2017 compensation of Director of subsidiary Approach Excellence Trading Ltd	Director recused himself from the discussion and voting
	Jesadavat Priebjrivat	Proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. granting dividend bonus to Directors	Director recused himself from the discussion and voting
2017.12.19 (12th time of fourth session)	Wang, Shu-Mu Chou, Jui-hsiang Lan, Chia-Chen Cheng, Yung-Yuan Mr.Shohara Masashi Somkiat Krajangjaeng Wu, Sen-Tien Lee, Shun-Chung	Proposal to discuss the result of managerial officers' performance evaluation in 2017 as well as the annual bonus plan	Directors recused themselves from the discussion and voting
	Su, Chau-Chin Chen, Yung-Tsai Jesadavat Priebjrivat	Proposal to review the remuneration of Group directors in year 2018.	Directors recused themselves from the discussion and voting

3. Assessment of the objectives and execution of board of director function enhancement in the current year and recent years:

The members of the Third session Audit Committee and Remuneration Committee were elected during the first board of directors meeting of the Fourth Board of Directors on Jun.15, 2016. See (2) Audit Committee and (3) Remuneration Committee for names of members and the operation of these committees.

Attendance of Board of Directors of independent directors in 2017:

Name \ Dates of the meetings	2017.03.15	2017.05.10	2017.06.15	2017.08.09	2017.10.24	2017.11.13	2017.12.19
	Su, Chau-Chin	Attend in person	Attend in person	Attend in person	Attend in person	Attend through proxy	Attend in person
Chen, Yung-Tsai	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person
Jesadavat Priebjrivat	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person

Note 1: The actual attendance rate is calculated according to the number of times of attendance of each director during the office term.

(2) Audit Committee's operation or supervisors' participation in board of director operation

A. Audit Committee

The responsibility of the Audit Committee is to assist the board of directors in supervision of company operations as well as execution of the duties specified in the Company Act, Securities and Exchange Act and other related regulations. The functions of the committee include examining the company's financial statements, auditing company operations and accounting policies and procedures, reviewing the company's internal control system, and evaluating transactions of important assets or derivative products, fund raising or securities issuance, appointment, dismissal of accountants and their remuneration, and appointment and dismissal of financial, accounting or internal audit directors.

The Audit Committee has the right to perform justifiable audits and investigations within its responsibility. It is given the authority to make direct contact with the company's internal auditors, CPAs and employees. The committee is formed by the three independent directors.

7 times of Audit Committee meetings were convened in 2017 (A). The attendance of the independent directors is as shown in the chart below:

Title	Name	No. of Times of Actual Attendance (B)	No. of Times of Attendance by Proxy	Actual Attendance Rate (%) (B/A) Note 1	Remark
Chairman Independent Director	Su, Chau-Chin	6	1	85.71%	
Independent Director	Chen, Yung-Tsai	7	0	100%	
Independent Director	Jesadavat Priebjrivat	7	0	100%	

Other information to be recorded:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Dates of the meetings (Sessions)	The contents of the motion	Resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion
2017.03.15 (5th time of Third Session)	Proposal to discuss 2017 CPA-audited and certified financial report and audit fee process by KPMG	The proposal be and hereby were accepted as proposed unanimously by all independent directors
	Proposal to approve 2016 annual operation report and consolidated financial statement.	The proposal be and hereby were accepted as proposed unanimously by all independent directors
	Proposal to issue 2016 annual internet control system statement.	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2017.10.24 (9th time of Third Session)	Proposal to approve that the Company endorses and guarantees for subsidiary Apex Circuit (Thailand) Co., Ltd.	The proposal be and hereby were accepted as proposed unanimously by all independent directors
	Proposal to approve the investment to the major subsidiary Apex Circuit (Thailand) Co., Ltd.	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2017.12.19 (11th time of Third Session)	Proposal to approve the alternation of the Company's CFO	The proposal be and hereby were accepted as proposed unanimously by all independent directors

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors : None

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified :

Dates of the meetings (Sessions)	Director Name	The contents of the motion	Causes for avoidance and voting
2017.03.15 (5th time of Third Session)	Jesadavat Priebjrivat	Proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. granting dividend bonus to Directors	Director recused himself from the discussion and voting
2017.12.19 (11th time of Third Session)	Su, Chau-Chin Chen, Yung-Tsai Jesadavat Priebjrivat	Proposal to review the remuneration of Group directors in year 2018.	Directors recused themselves from the discussion and voting

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) In addition to providing audit reports (or tracking reports) to be reviewed by Audit Committee members in the month following completion of items to be audited (or to be tracked) and attending board of directors meetings to report results of audit operations, the internal audit director is also required to report to Audit Committee members on the results of annual audit operations and



self-inspections of the internal control system to make sure the Audit Committee members have no objection.

(2) If necessary, Audit Committee members will exchange ideas with accountants on the company's financial status.

Note 1: The actual attendance rate is calculated according to the number of times of attendance of each director during the office term.

B. Participation of supervisors in board of directors operation: Apex does not have supervisors.

(3) Remuneration Committee

The purpose of the Remuneration Committee is to assist the board of directors to execute and evaluate the overall remuneration and welfare policies and remuneration for the managerial personnel. The Remuneration Committee is composed of three members, two independent directors and a financial and accounting specialist recruited.

A. Members of the Remuneration Committee

Status	Name	5 Years of Work Experience and the Following Professional Qualifications			Level of Independence (Note 1)								Number of Other Listed Companies where Remuneration Committee Members Are Concurrently Held	Remark	
		Having held the position of instructor or higher of business, law, finance, accounting or a discipline the company needs in a public or private university	Having passed a national examination and obtained the certificate to be a court judge, prosecutor, lawyer or account or a specialist the company needs	Having experience in business, legal affairs, financial affairs, accounting or a field the company needs	1	2	3	4	5	6	7	8			
Independent Director	Su,Chau-Chin	V			V	V	V	V	V	V	V	V	V	None	
Independent Director	Jesadavat Priebjrivat			V	V	V	V	V	V	V	V	V	V	None	-
Specialist	Tsai, Yang Tsung	V	V	V	V	V	V	V	V	V	V	V	V	4	-

Note 1: The meanings of the codes for the requirements for each member in the two years prior to the appointment and during the office term:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- (7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Not a person of any conditions defined in Article 30 of the Company Law.

B. The office term of the current committee members is from Jun. 15, 2016 to Jun. 14, 2019.

2 times of Remuneration Committee meetings were convened in 2016 (A) and the attendance of the committee members is as shown in the chart below.

Title	Name	No. of Times of Actual Attendance (B)	No. of Times of Attendance by Proxy	Actual Attendance Rate (%) (B/A) Note 1	Remark
Chairman Independent Director	Su, Chau-Chin	2	0	100%	
Independent Director	Jesadavat Priebjrivat	2	0	100%	
Member	Tsai, Yang Tsung	2	0	100%	

Other information to be recorded:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Note 1: The actual attendance rate is calculated according to the number of times of actual attendance of each Remuneration Committee member during the officer term.

(4) Corporate governance practices and their differences from the practices specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
1. Has Apex established its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	√		Apex has established its corporate governance best practice principles. After approval of the board of directors, they have been posted on the corporate governance web page on the company website.	No particular difference
2. Company stock right structure and shareholders' rights and interests				
(1) Has the company established the internal operating procedure for processing shareholders' suggestions, questions, disputes and lawsuits and conducted such matters according to the procedure?	√		(1) Apex has established regulations on shareholder services operations to serve as the guidelines in the internal control system for processing shareholder inquiries and matters in relations to shareholders' rights and interests; at the same time, there is a spokesperson to provide prompt replies to different questions from shareholders.	No particular difference
(2) Does the company have the lists of the principal shareholders of the company and the final controllers of the principal shareholders?	√		(2) Apex has the monitored lists and also files the shareholding status of the principal shareholders each month as regulated.	No particular difference
(3) Has the company established and executed control of risks and a firewall mechanism in association with affiliated enterprises?	√		(3) The division of management authority, contact and transactions between Apex and its subsidiaries and affiliates are all conducted according to the regulations of the internal control system and related operating procedures.	No particular difference
(4) Has the company established internal regulations to prohibit its personnel from taking advantage of undisclosed information to trade securities?	√		(4) Apex has established regulations on prevention of insider trading and also regularly reminds company personnel such conduct is prohibited.	No particular difference
3. Board of directors composition and duties:				
(1) Has the board of directors established	√		(1) The composition of the board of directors is	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
diversified policies according to its member composition and enforced such policies?			<p>determined with professional background, gender, age and education taken into consideration and also diversified for the purpose of complementation to increase the overall capacity of the board.</p> <p>Apex incorporated a board diversity policy in Chapter 3, “Strengthening Board Function”, of “Principle of Corporate Governance”, which was amended by the 17th time of third session BOD on Apr. 9, 2015.</p> <p>All of the candidates for the Board of Directors are nominated by adopting the candidate nomination system and qualified for review in accordance with Memorandum and Articles of Association of Company and in conformed to “Rules for Election of Directors” and “Principle of Corporate Governance” to ensure the diversify and independence of BOD member.</p> <p>All directors of fourth session possess knowledge of the industry and international market perspective. Directors Wang, Shu Mu, Chou, Jui Hsiang, Lan, Chai Chen, Cheng, Yung Yuan, Shohara Masashi, Somkiat Krachangjang and Lee, Shun Chung possess abilities to make operational judgments and conduct management administration and risk management knowledge and skills and Leadership. Directors Wu, Sen Tian, Chen, Yung-Tsai and Jesadavat Priebjrvat possess abilities to perform accounting and</p>	

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
(2) Besides creating the Remuneration Committee and the Audit Committee, will the company voluntarily set up committees of other functions?	√		financial analysis. (2) In addition to the Remuneration Committee and the Audit Committee, committees of other functions will be created in accordance with the company's business development and related regulations.	No particular difference
(3) Has the company established regulations for evaluating the performance of the board of directors and defined the approaches of evaluation and conducted such performance evaluation annually?	√		(3) Apex has established regulations on evaluation of the performance of the board of directors and the approaches of evaluation and performance evaluation will be conducted accordingly. Please refer to the company's official website for the evaluation results.	No particular difference
(4) Does the company evaluate the independence of CPAs on a regular basis?	√		(4) The Company evaluates the independence of CPAs annually, ensuring that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company. 2017 Assessment of performance and independence of certified public accountant had been approved by Audit Committee and Board of Directors on March 15, 2017. Please see Section 5 "To review the independence of the CPA periodically and the items of evaluation", in Chapter VIII Supplementary Information for details.	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
4. Has the company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, and producing minutes of board meetings and shareholders meetings)	√		Apex already set up the Corporate Government Team under BOD meeting who is in charge of corporate government, corporate social responsibility and ethical affairs. Each December of year, the team will directly report to BOD meeting about the implement and the plan of next year.	No particular difference
5. Has the company established channels for communicating with stakeholders, (including but not limited to shareholders, employees, customers and suppliers), set up a designated web page for stakeholders on the company website, and properly respond to important corporate social responsibility issues with which stakeholders are concerned?	√		(1) Apex is in process of setting up a stakeholder section on our corporate website in 2015. (2) Apex has set up a customer service office and designated a spokesperson to communicate with stakeholders and the contact information is also posted on the company website for stakeholders.	No particular difference
6. Has the company commissioned professional shareholder services agents to handle the shareholders' meeting's affairs?	√		Apex has commissioned a professional shareholder services agent to handle the affairs of the shareholders' meeting.	No particular difference
7. Freedom of information: (1) Has the company set up a website to disclose its financial operation and corporate governance information?	√		(1) Apex has set up a company website to disclose information about various financial operations and corporate governance.	No particular difference
(2) Has the company adopted other approaches to	√		(2) Apex already set up English website. Questions in	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
disclose information (such as setting up an English website, appointing designated personnel to be in charge of collection and disclosure of company information, enforcing the spokesperson system, posting the proceedings of investor conferences on the company website, etc.)?			relation to Apex are replied by the spokesperson or the deputy spokesperson and related departments and the spokesperson or deputy spokesperson are in charge of collecting and disclosing company information. For instance, information on investor conferences is posted on the company website and the Market Observation Post System.	
8. Can the company provide other important information that will help facilitate the public to understand its corporate governance practices (including but not limited to employee rights and interests, employee care, relations with investors, relations with suppliers, rights of stakeholders, continuing education pursued by directors and supervisors, implementation of risk management policy and risk assessment criteria, execution of the customer policy, enrollment of liability insurance for directors and supervisors, etc.)	V		(1) Employee Rights and interests and employee care: A. Employment equality: Job seekers and employees are treated equally, regardless of their gender, ethnic background, religion, political affiliation or marital status and employment of child labor is forbidden. Pregnant employees are given provisions and longer breaks. B. Besides conducting physical checkups for employees regularly, the company values the health and safety conditions in the work environment for employees and has passed the Occupational Health & Safety Adversary Services certification OHSAS 18001 and the External Audit Certification of the Environment Management System ISO 14001. C. The Employee Welfare Committee organizes at least one activity for whole employee each year and also a welcoming party for new employees each month. The head of each department is invited to participate and interactive games are played to upgrade employees' sense of belonging and engagement.	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<p>D. Recruiting blind people come to factory to provide massage service for Apex employee each month. It can provide job to blind people and relax the working pressure of Apex employee as well.</p> <p>(2) Relations with investors: Apex supported management team to implement corporate governance in order to strengthen our constitution, protect rights of shareholders and improve monitor system; attend public investor conference to improve our transparency; answer original or potential investors' inquiries; feedback the opinions from capital market and shareholders to management team in order to strengthen our corporate governance; instantly provide information which may affect investors' decision on Apex website and disclose on public website designated by governmental authority; collect information of financial performance of competitors for management team after quarterly financial statements released; collect daily news and industrial report for management team; hold annual general meeting by following laws and regulations; collect updated information or knowledge of management, taxation, international finance and market quotation etc.</p> <p>(3) Relations with suppliers: The main operating office of Apex has built up close relationships with suppliers and both sides reciprocate based on</p>	<p>No particular difference</p> <p>No particular difference</p>



Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<p>mutual trust to bring the win-win policy to realization.</p> <p>(4) Rights of stakeholders: Apex maintains smooth communication channels with correspondent banks, employees, customers and suppliers and also respects and sustains their rights and interests.</p> <p>(5) Continuing education pursued by directors and managerial personnel: Please see Section 5 Continuing Education for Directors and Managerial Personnel in Chapter VIII Supplementary Information for details.</p> <p>(6) Implementation of risk management policy and risk assessment criteria: Please see Section 6 Risk in Chapter VII Review and Analysis of Financial Status and Performance and Risks for details.</p> <p>(7) Execution of customer policy: Apex has set up a customer service department and a permanent customer service window to process customer complaints and communicate and understand the needs of customers in order to make improvements. Also, customer satisfaction surveys are administered through regular visits and irregular contact. Adjustments are then made according to the survey results so that the company can continue to provide the best service to customers.</p> <p>(8) Enrollment of liability insurance for directors: Since 2012, Apex has taken directors' and officers' liability insurance. The insured amount in 2017</p>	<p>No particular difference</p> <p>No particular difference</p> <p>No particular difference</p> <p>No particular difference</p> <p>No particular difference</p> <p>No particular difference</p>

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
			was US \$3 million. (9) Acquisition of required certificates by personnel associated with financial information transparency: Two certified public accountant in Thailand.	No particular difference
9. Please describe the improvement action of TWSE corporate government evaluation result of the nearest year, and the plan adoption of the item which not improve yet of the evaluation result. (If the company not in the scope of the evaluation, no need to describe anything).	V		According to the categories and requirements of the Corporate Governance Evaluation held by TWSE each year, Apex proceeds self-assessment and report the performance to BOD meeting. In year 2017, Apex perform 87.91 score of the evaluation, means Apex was ranked within 6%~20% of all companies listed in TWSE. Apex has continued to handle relevant matters and measures in accordance with the internal corporate governance code regarding the results of corporate governance evaluation.	No particular difference

(5) Social responsibility fulfillment

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
1. Corporate governance perfection (1) Does the company have its corporate social responsibility policy or system and review the results of implementation”	V		(1) Apex has established its corporate social responsibility best practice principles; they have been approved by the board of directors and the results of implementation are reviewed by BOD	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
(2) Does the company conduct social responsibility training on a regular basis?	√		meeting regularly. (2) The Human Resource Department has included workers' rights and interests, workplace safety requirements, environmental protection and other social responsibility issues as regular courses in new employee training programs.	No particular difference
(3) Does the company have full-time (part-time) personnel in charge of promotion of corporate social responsibility and they are responsible to high-ranking executives who are authorized by the board of directors and report the promotion results to the board of directors?	√		(3) Apex has set up the Social Responsibility Management Committee to plan and execute workplace safety, environmental protection and care for the underprivileged programs to achieve respective annual targets and also review the execution regularly and report to the board of directors.	No particular difference
(4) Does the company have a reasonable salary and remuneration policy and also integrate the employee performance evaluation system with the corporate social responsibility policy and a well-defined and effective reward and punishment system?	√		(4) Apex has established a reasonable salary and remuneration policy and performance evaluation systems; achievement of corporate social responsibility work targets is included in performance evaluation.	No particular difference
2. Development of sustainable environment (1) Does the company make efforts to promote the utilization rates of different resources and use recycled materials with smaller impacts on the environment?	√		(1) (A) Waste Chemical: Collect copper from waste chemical total 243 ton and 100% recycle Spent AL Etching chemical, total 14,983 ton in 2017. (B) Water resource: City water utilization rate : Before recycle: 84% After recycle: 95% (C) Continuously study & research feasibility of project of recycling waste water in 2018.	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
(2) Has the company established an appropriate environmental management system in accordance with its industrial characteristics?	√		(2) All environmental protection policies made by Apex's Corporate Social responsibility Management Committee are based on different environmental regulations and the wastewater discharge inspection standards are stricter than those imposed by the Ministry of Industry of Thailand for wastewater discharge system quality control in industrial zones in order to reduce the impact of production activities on the environment.	No particular difference
(3) Does the company keep track of the impact of climate change on business activities as well as execute greenhouse gas inventories and establish energy-saving, carbon reduction and greenhouse gas emission reduction strategies accordingly?	√		(3) (A) Smart control and saving of energy: Apex co-work with vendor to propose the 20% improvement of electricity consumption efficiency which focus on compressor/air conditioner system in year 2017. (B) Apex co-work with Thai consultant to investigate GHG inventory of two factories in Thailand. It may completed and disclose to public of year 2017. (C) Apex process 9 energy saving project and saved 6,000,000kWh, i.e., reducing 3,656 ton CO2 emission.	No particular difference
3. Public welfare maintenance (1) Has the company established management policies and procedures in accordance with related regulations and international human rights instruments?	√		(1) The Company's working rule and regulation follow the spirit of International Bill of Human Rights with below major concerned items: (a) Elected Welfare Committee; (b) Caring for vulnerable groups; (c) Prohibiting the use of child labor;	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
(2) Does the company have a mechanism and channels for employees to file their complaints and also process such complaints properly?	√		(d) Human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status; (e) Achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities. (2) Employees can offer suggestions and point out problems to the management team through the CEO Box and other channels. The labor-management relationship in Apex has been harmonious; no labor-management disputes have ever occurred.	No particular difference
(3) Does the company provide a safe and healthy work environment for employees and also educate employees on safety and health regularly?	√		(3)(a) The Company obtained the certificate of ISO 14001 and OHSAS 18001. (b) Safety consultant directly report to CEO. (c) Invite Allianz Risk Consultant to estimate the risk of factory, and set up improvement plan. (d) Have its owned clinic and ambulance. (e) Anti-drug: K9 team monthly factory inspection. (f) Hosting regular training sessions to build a better working environment.	No particular difference
(4) Does the company have a mechanism for regular communication with employees and also inform employees through reasonable approaches of management changes likely to have significant impacts on them?	√		(4) The executives use the intranet and various regular and irregular business meetings and gatherings to communicate with employees at different levels on important work targets and execution progress to make employees	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
(5) Has the company established effective job ability enhancement training programs for employees?	√		understand the company's business operation status. (5) The Human Resource Department assists the head of each department to set up annual training programs in accordance with each department's work targets and function requirements; it has also established the promotion evaluation standard for each level to ensure the company can achieve the goal of cultivating talents, retaining talents and using talents.	No particular difference
(6) Has the company established a consumer rights protection policy and complaint filing procedures in accordance with its R&D, procurement, production, operating and service procedures?	√		(6) To ensure customers are satisfied, Apex has set up a service window to handle all kinds of customer complaints at the earliest time and also provide customers with complete product information.	No particular difference
(7) Does the company follow related regulations and international standards in its product and service marketing and labeling?	√		(7) Apex's product labeling is conducted in accordance with related regulations and international standards.	No particular difference
(8) Does the company evaluate whether its suppliers have any records of causing impacts on the environment and society before doing business with them?	√		(8) Apex's procurement department conducts supplier evaluation and audits regularly and insists that all products must comply with the EICC or ISO 14001 standards so that both sides can jointly fulfill the social responsibility of achieving quality and environmental protection at the same time.	No particular difference
(9) Do the contracts the company sign with suppliers include stipulations specifying that the contract may be terminated or cancelled at any time if the supplier is found in violation of the company's corporate	√		(9) Top 10 of Apex's suppliers already sign the Commitment Letter to comply with the company's social responsibility policy, to agree that the contract may be terminated or cancelled	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
social responsibility policy and the result has a significant impact on the environment and society?			at any time if the supplier is found in violation of the company's corporate social responsibility policy and the result has a significant impact on the environment and society.	
4. Information disclosure enhancement (1) Does the company disclose important and reliable information related to corporate social responsibility on its website and the Market Observation Post System?	V		Apex has set up web pages on corporate social responsibility to disclose the company's activities in relation to labor rights and interests, environmental protection and care for the underprivileged and the results.	No particular difference
5. If the company has established its own corporate social responsibility best practice principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies, please describe the differences in between: No particular difference				
6. Other important information able to help the public understand the practices applied to fulfill corporate social responsibility: (1) Care for the underprivileged: A. Join the relieving activity of Ayutthaya flood disaster. B. Set up scholarships and held open ceremonies to award scholarships and certificates of merit to children of lower-income employees of the company with outstanding academic performance. C. Providing job of massage service to blind people in factory serving Apex employee, the expense was about 700 k Baht. (2) Community activities A. Held monk blessing and food donation activities during the Songkarn Festival in Thailand, maintained local traditional culture and promote Apex identification to regional people. B. Collaborating with local hospitals (Blood donation for Siriraj Hospital in Bangkok) for employees to donate blood each quarter. C. Funded nearby elementary schools of desktop computer and sponsor for the community activities. D. Donate light tube and drinking water to the temple nearby Apex Thailand factory. (3) Environmental protection A. Encouraging and enforcing garbage classification and recycling. B. Donating materials for prostheses: collection of beverage can tap to donate to prosthesis makers.				
7. If the company's corporate social responsibility reports have passed certification by related institutions, provide the description: Apex has passed the following certifications:				

Evaluation Item	Current Status			Differences from the Practices Specified in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
(1) Those related product quality: QS-9000、ISO-9001、ISO/TS-16949 (2) Those related to the work environment: ISO-14001 (3) Those related to corporate social responsibility: TLS 8001 (4) Those related to occupational health and safety management systems: OHSAS 18001 (5) Environmentally sound practices certification: RoHS、UL				

(6) Execution of ethical management and measures taken

Apex conducts its management according to law as well as the regulations of related competent authorities; decisions are made with the interests of shareholders and the company as the top priority and they also comply with the company's regulations.

Evaluation Item	Current Status			Differences from the Practices Specified in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
1. Ethical management policies and directions (1) Are ethical management policies, their implementation and the commitment of the board of directors and the management indicated in the company charter and external documents?	V		(1) Apex has established its ethical management best practice principles as well as the corresponding operating procedures and conduct guidelines and they have been enforced after approval by the board of directors. The members of the board of directors and the management all carry out their duties without reservation and fulfill their obligations as good managers. They also follow the code of ethical conduct for directors and managers and exercise strict self-discipline and cautions when executing their duties.	No particular difference



Evaluation Item	Current Status			Differences from the Practices Specified in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
(2) Has the company established regulations to prevent unethical conduct and also specified the operating procedures, conduct guidelines, penalties for violations and appealing systems in such regulations and enforced the regulations?	V		(2) Apex has clearly specified in the company ethical management best practice principles, the corresponding operating procedures and the conduct guidelines .The procedures for informing on violations against the principles and administration of penalties. In addition, service ethics are also incorporated in the code of practice and included in employee performance evaluation.	No particular difference
(3) Has the company established preventive measures against business activities more likely to involve unethical conduct as described in the subparagraphs of Article 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or likely to happen in other business operations?	V		(3) Compliance with the company’s ethical management policies is specified in contracts signed with others and there are provisions stipulating that Apex may terminate or cancel the contract at any time when a trading counterpart is found with law-violating conduct.	No particular difference
2. Assurance of ethical management				
(1) Does the company assess the ethical practice records of its business associates and include provisions on ethical conduct in contracts signed with trading counterparts?	V		(1) Apex conducts its business activities with integrity and practicality. The ethical practice records of trading counterparts are assessed and their compliance with the company’s ethical management policies is taken into consideration when contracts are established.	No particular difference
(2) Is there a designated (concurrently responsible) unit placed under the board of directors to promote ethical management and report its execution to the board of directors regularly?	V		(2) Apex set up “Corporate Governance Team” to be responsible to relevant issue of Ethics Policy, and report the implement status to the board of directors. It is in charge of investigating whether there are ethical management policy violations in	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
(3) Has the company established a policy on prevention of conflicts of interest as well as appropriate channels through which related statements may be presented and is the policy actually enforced?	V		the company. The directors and managers all follow the code of conduct for directors and managers and answer to the shareholders' meeting or board of directors for their conduct considered to be within the scope of ethical management. (3) Apex has specified its policy on prevention of conflicts of interest in the ethical management best practice principles. The independent directors regularly review the audit reports and inquire the audit director about occurrences of conflicts of interest in the company. Channels for communication with stakeholders are kept open.	No particular difference
(4) Has the company established effective accounting and internal control systems to facilitate enforcement of ethical management? Does the internal audit unit perform audits regularly or is audit work commissioned to CPAs?	V		(4) Apex's Audit Office is directly responsible to the board of directors. It performs regular and irregular audits on results of company operations, inspects and evaluates organizational activities, and establishes corresponding reports that are presented to the independent directors on a regular basis. So far, no corruption or illegal acts have taken place in Apex.	No particular difference
(5) Does the company conduct regular internal and external training courses on ethical management?	V		(5) Apex irregularly sends staff members to attend external courses or seminars on corporate governance and ethical management in order to enhance the awareness of employees and promotion of ethical management concepts.	No particular difference

Evaluation Item	Current Status			Differences from the Practices Specified in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
3. Operation of the violation-reporting system in the company				
(1) Has the company established concrete violation-reporting and incentive systems as well as set up convenient channels for violation reporting? Are there designated personnel to handle matters related to reported offenders?	V		(1) Apex has specified the procedures for violation reporting and administration of penalties in the ethical management best practice principles and also designated the internal audit director and the independent directors to process violations reported.	No particular difference
(2) Does the company have a standard operating procedure for acceptance of violation reporting? Is there a mechanism to ensure confidentiality?	V		(2) Apex has specified in the ethical management best practice principles that the identity of informers and contents of complaints are to be kept confidential throughout the investigation process.	No particular difference
(3) Does the company take measures to protect informers from receiving inappropriate treatment?	V		(3) Within one month after completion of investigation and disposal, the processing unit is required to understand privately the working condition of the informer to see if there is any inappropriate treatment as a result of violation reporting.	No particular difference
4. Enhancement of information disclosure				
(1) Does the company disclose the contents of its ethical management best practice principles and promotion results on its website as well as the Market Observation Post System?	V		Apex has disclosed the contents of its ethical management best practice principles and the corresponding operating procedure and the conduct guidelines on the company website and also on the Market Observation Post System as required.	No particular difference
5. If the company has established its own ethical management best practice principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences in between: No particular difference.				

Evaluation Item	Current Status			Differences from the Practices Specified in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Explanation	
6. Other important information able to help the public understand the practices applied to fulfill corporate social responsibility (such as the company reviewing and amending its ethical management best practice principles): Apex adheres to the principle of “righteousness” to conduct all business activities. If a trading counterpart is found to have engaged in any unlawful act, the company may terminate or cancel the contract at any time. Meanwhile, the investment of shareholders is managed with the strictest discipline to ensure shareholders can receive steady feedback. Apex also adopts people-oriented principles to care for employees, ensures the work environment is good for the health and safety of employees, listens to the needs of employees and communicates thoroughly to find reasonable solutions, and forbids activities that are illegal or in violation of the code of practice to create sustainable job opportunities. Apex values the rights and interests of each stakeholder and manages the company with integrity to create win-win situations.				

(7) If the company has established its corporate governance best practice principles and related regulations, the access to such information should be disclosed: Such information is available on Apex’s company website at <http://www.apex-intl.com.tw>.

(8) Other important information able to help the public understand the company’s corporate governance practices should also be disclosed: None

(9) Execution of the Internal Control:

1. Statement on Internal Control

Apex International Co., Ltd.

泰鼎國際股份有限公司

內部控制制度聲明書

日期：107年03月01日

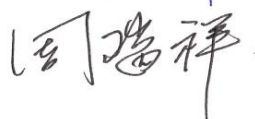
本公司民國106年01月01日至106年12月31日之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國106年12月31日之內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本公司依據「臺灣證券交易所股份有限公司外國發行人第一上市後管理作業辦法」第四條之規定，委託會計師專案審查上開期間與財務報導之可靠及與保障資產安全(使資產不致在未經授權之情況下取得、使用或處分)有關的內部控制制度，如前項所述，其設計及執行係屬有效，並無影響財務資訊之記錄、處理、彙總及報告可靠性之重大缺失，亦無影響保障資產安全，使資產在未經授權之情況下逕行取得、使用或處分之重大缺失。
- 七、本聲明書將成為本公司年報之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 八、本聲明書業經本公司民國107年03月01日董事會通過，出席董事 10 人中，有 0 人持反對意見，餘均同意本聲明書之內容，併此聲明。

Apex International Co., Ltd.

泰鼎國際股份有限公司

董事長：  簽章

總經理：  簽章

2. If CPAs are commissioned to audit the internal control system, the audit reports must be disclosed:



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666  
Fax 傳真 + 886 (2) 8101 6667  
Internet 網址 kpmg.com/tw

### 內部控制制度審查報告

後附泰鼎國際股份有限公司民國一〇七年三月一日謂經評估認為其與外部財務報導及保障資產安全有關之內部控制制度，於民國一〇六年十二月三十一日係有效設計及執行之聲明書，業經本會計師審查竣事。維持有效之內部控制制度及評估其有效性係公司管理階層之責任，本會計師之責任則為根據審查結果對公司內部控制制度之有效性及上開公司之內部控制制度聲明書表示意見。

本會計師係依照「公開發行公司建立內部控制制度處理準則」及一般公認審計準則規劃並執行審查工作，以合理確信公司上述內部控制制度是否在所有重大方面維持有效性。此項審查工作包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估內部控制制度設計及執行之有效性，以及本會計師認為必要之其他審查程序。本會計師相信此項審查工作可對所表示之意見提供合理之依據。

任何內部控制制度均有其先天上之限制，故泰鼎國際股份有限公司上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

依本會計師意見，依照「公開發行公司建立內部控制制度處理準則」之內部控制有效性判斷項目判斷，泰鼎國際股份有限公司與外部財務報導及保障資產安全有關之內部控制制度，於民國一〇六年十二月三十一日之設計及執行，在所有重大方面可維持有效性；泰鼎國際股份有限公司於民國一〇七年三月一日所出具謂經評估認為其上述與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面則屬允當。



泰鼎國際股份有限公司業已依照「公開發行公司取得或處分資產處理準則」、「公開發行公司資金貸與及背書保證處理準則」、「公開發行公司建立內部控制制度處理準則」及有關法令規定，針對取得或處分資產、從事衍生性商品交易、資金貸與他人之管理、為他人背書或提供保證之管理、關係人交易之管理、財務報表編製流程之管理及對子公司之監督與管理訂定相關作業程序。

安侯建業聯合會計師事務所

趙敏如



會計師：

陳雅琳



中華民國一〇七年三月一日

# Apex International Co., Ltd.

## 泰鼎國際股份有限公司



### 內部控制制度聲明書

日期：107年03月01日

本公司民國106年01月01日至106年12月31日之內部控制制度，依據自行評估的結果，謹聲明如下：

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- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
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Apex International Co., Ltd.  
泰鼎國際股份有限公司

董事長：  簽章  
總經理：  簽章



(10) Court sanctions imposed on the company or employees or sanctions imposed by the company on employees for violation of internal control regulations in the most recent year and prior to the date of printing of the annual report, main offenses and improvements: None significant violations of internal control regulations have occurred in Apex.

(11) Important decisions of the shareholders' meeting and the board of directors in the most recent year and prior to the date of printing of the annual report:

i. The resolutions and implementation situation of the 2017 shareholders' annual general meeting:

Year	Date	Proposal	Implementation situation
2017 Annual General Meeting	15 June 2017	To approve 2016 final accounting books and financial statements.	According to Annual General Meeting resolution and announcement.
		To approve the proposal for distribution of 2016 profits.	According to Annual General Meeting resolution completed distribution on August 25, 2017 (cash dividend: NT\$2.5 per share and stock dividend appropriated from profits: 32.00000482 shares per thousand shares. ).
		To amend "Memorandum and Articles of Association" of Company.	Completed the filing of registration change according to the revised provisions of Annual General Meeting resolution.
		To amend "Procedures of Acquisition and Disposal of Assets "of the Company.	Implemented according to the revised provisions of Annual General Meeting resolution.
		To approve the proposal for distribution of retained profits capital increase.	According to Annual General Meeting resolution completed distribution of stock dividend appropriated from profits: 32.00000482 shares per thousand shares on August 25, 2017.

ii. The key items discussed in Board of Directors Meeting in 2017 and prior to the publication of 2018 's Annual Report:

Number	Decision	Date of Meeting	Decision Made by
1	<p>(1)The proposal to discuss 2017 CPA-audited and certified financial report and audit fee process by KPMG.</p> <p>(2)The proposal to approve 2016 annual operation report and consolidated financial statement.</p> <p>(3)The proposal to issue 2016 annual internet control system statement.</p> <p>(4)The proposal to admit the CPA special audit report on the company internal control system of year 2016.</p> <p>(5)The proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. (hereby refer to as APT) granting dividend bonus to Directors.</p> <p>(6)The proposal to discuss the 2017 compensation of Director of subsidiary Approach Excellence Trading Ltd. (hereby refer to as AET)</p> <p>(7)The proposal to approve the amendment “Memorandum and Articles of Association” of Company.</p> <p>(8)The proposal to approve the amendment “Procedures for the Acquisition or Disposal of Assets” of Company.</p> <p>(9)The proposal to discuss 2016 annual distribution of earning of Company.</p> <p>(10) The proposal to approve issuance of new shares through capitalization of earnings.</p> <p>(11) The proposal to discuss the date, place and resolutions to convene 2017 Annual General Meeting.</p> <p>(12) The proposal to approve the application of credit line and open account with Mega International Commercial Bank.</p> <p>(13) The proposal to approve the application of credit line and open account with Bank SinoPac.</p> <p>(14) The proposal to approve the application of credit line with KGI Bank.</p> <p>(15) The proposal to approve the application of credit line and open account with Taichung Commercial Bank.</p> <p>(16) The proposal to approve the application of credit line and open account with Cathay United Bank.</p> <p>(17) The proposal to approve the application of credit line and open account with Commercial Hwatai Bank.</p>	2017.03.15	Board of Directors
2	<p>(1)A proposal to discuss the plan of 2017 cash capital increase through an issue of common shares of the company within Taiwan, ROC.</p> <p>(2)The proposal to approve the application of credit line and open account with The Shanghai Commercial &amp; Savings Bank, Ltd..</p> <p>(3)The proposal to approve the application of credit line with Taishin International Bank.</p>	2017.05.10	Board of Directors
3	<p>(1)The proposal to set ex-right and ex-dividend record date, shares and dividend distribution rate, conversion of bonds price adjustments authority related matters.</p>	2017.06.15	Board of Directors
4	<p>(1)The proposal to approve the application of credit line and open account with First Commercial Bank Co., Ltd.</p> <p>(2)The proposal to approve the application of credit line with Cathay United Bank.</p> <p>(3)The proposal to approve the application of credit line with Far Eastern International Bank.</p> <p>(4)The proposal to approve the application of credit line with Bank SinoPac.</p> <p>(5)The proposal to approve the application of credit line and open account with Shin Kong Bank.</p> <p>(6)A proposal to resolve the revision of 2017 annual operating plan and budget of the Company.</p>	2017.08.09	Board of Directors
5	<p>(1)The proposal to approve the investment to the major subsidiary Apex Circuit (Thailand) Co., Ltd. (hereby refer as APT).</p> <p>(2)The proposal to approve that the Company endorses and guarantees for subsidiary APT.</p> <p>(3)The proposal to approve the amendment “Rules for Election of Directors”</p>	2017.10.24	Board of Directors

Number	Decision	Date of Meeting	Decision Made by
	of Company. (4) The proposal to approve the amendment “Audit Committee Charter” of Company. (5) The proposal to approve the amendment “Rules and Procedure of Board of Directors Meetings ” of Company. (6) The proposal to ratify the opened account in E.Sun Bank (China) Company, Ltd.		
6	(1) The Company plans to open a custodian bank account in CTBC Bank for dealing with custody of securities, confirmation of transaction, trading, settlement and declaration etc. Besides, the Company will assign CTBC Bank as the representative in Taiwan to handle affairs of opening account.	2017.11.13	Board of Directors
7	(1) A proposal to resolve the 2018 annual operating plan and budget of the Company. (2) A proposal to discuss the 2018 annual audit plan of the Company. (3) A proposal to approve the alternation of the Company’s CFO. (4) A proposal to approve buying back the Company’s second-time unsecured convertible corporate bonds. (5) Proposal to discuss the result of managerial officers performance evaluation in 2017 as well as the annual bonus plan. (6) Proposal to review the remuneration of Group directors in year 2018.	2017.12.19	Board of Directors
8	(1) The proposal to discuss 2018 CPA-audited and certified financial report and audit fee process by KPMG. (2) The proposal to approve 2017 annual operation report and consolidated financial statement. (3) The proposal to issue 2017 annual internet control system statement. (4) The proposal to admit the CPA special audit report on the company internal control system of year 2017. (5) The proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. (hereby refer to as APT) granting bonus to Directors. (6) The proposal to discuss the 2018 compensation of Director of subsidiary Approach Excellence Trading Ltd. (hereby refer to as AET) (7) The proposal to approve the amendment “Memorandum and Articles of Association” of Company. (8) The proposal to discuss 2017 annual distribution of earning of Company. (9) A proposal to discuss the plan of the offer and issue of the third unsecured convertible corporate bonds of the company within Taiwan, ROC. (10) The proposal to discuss the date, place and resolutions to convene 2018 Annual General Meeting. (11) The proposal of granting bonus to Independent Directors	2018.03.01	Board of Directors
9	(1) The proposal to approve the application of credit line and open account with KGI Commercial Bank. (2) The proposal to approve the application of credit line and open account with Cathay United Bank. (3) The proposal to approve the amendment to the “Memorandum and Articles of Association” of the Company.	2018.03.27	Board of Directors

(12) The main contents of objections of directors or independent directors against important decisions approved by the board of directors in the most recent year and prior to the date of printing of the annual report and such records or written statements: None

(13) Resignation or dismissal of company chairpersons, general managers, accounting directors, financial directors, internal audit directors or R&D directors in the most recent year and prior to the date of printing of the annual report:

Title	Name	Take office date	Date of Resignation or Dismissal	Remark
CFO	Maliwan Chinvorakijkul	2013.06.26	2018.01.01	Position adjustment

## 5. CPA Fees

### (1) CPA Fee Table

Unit: NT\$ thousand

Name of Accounting Firm	Name of CPA	Audited Period	Remark
KPMG Accounting Firm	Chao, Min-Ju	2017.01.01~2017.12.31	
	Chen, Ya-Lin		

Unit: NT\$ thousand

Amount		Fee Item	Audit Fees	Non-audit Fees	Total
1	Less than 2,000				
2	2,000 (including) ~ 4,000			V	
3	4,000 (including) ~ 6,000		V		
4	6,000 (including) ~ 8,000				V
5	8,000 (including) ~ 10,000				
6	More than 10,000 (including)				

The non-audit fees paid to CPAs, their accounting firm and its affiliates totaling more than one quarter of the audit fees.

Unit: NT\$ thousand

Name of Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audited Period	Remark
			System Design	Business Registration	Human resources	Others	Sum		
KPMG Accounting Firm	Chao, Min-Ju	4,622	0	0	0	2,824	2,824	2017.01.01 ~ 2017.12.31	Other Non-audit fees include those paid for internal control, overseas registration annual fees, agreed-upon procedures (capital increase by retained earnings), equity value evaluation (issuance of common stock for cash), change registration and certification fee.
	Chen, Ya-Lin								

(2) If the accounting firm was replaced and the audit fees were less than the amount paid the year before, the old and new audit fees and reasons for replacement should be disclosed:  
Not applicable

(3) If the new audit fees totaled over 15% less than the amount paid the year before, the amount reduced, its ratio and reasons should be disclosed: Not applicable

## 6. Information of change of CPA:

Due to the internal adjustment of job duties in KPMG, the replacement of Certified Public Accountants is scheduled in the first quarter financial statement of 2017.

The Certified Public Accountants will change from Chun-Hsiu Kuang and Lily Lu to Min-Ju Chao and Ya-Ling Chen.

7. Company chairpersons, general managers, or financial or accounting managers serving in the accounting firm of the CPAs or its affiliates: None
8. Share transfers or changes of stock pledges by directors, supervisors, managers or shareholders in possession of over 10% of total shares in the most recent year and prior to the date of printing of the annual report
- (1) Stock right changes happening to directors, supervisors, managers or shareholders in possession of over 10% of total shares

Title	Name	2017		As of Apr. 17, 2018	
		Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Pledged	Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Pledged
Chairman and APT Chief strategy officer	Wang, Shu Mu	164,371	0	0	0
Director and Chief Executive Officer	Chou, Jui Hsiang	375,211	0	0	0
Director and APT Executive Vice President	Lan, Chai Chen	336,599	0	0	0
Director and APT Chief Procurement Officer	Cheng, Yung Yuan	310,702	0	0	0
Director and Vice President	Shohara Masashi	0	0	0	0
Director and Vice President	Somkiat Krajangjaeng	0	0	0	0
Director and Chief strategy officer	Wu, Sen Tien	0	0	0	0
Director and Chief Business Officer	Lee, Shun Chung	0	0	0	0
Independent Director)	Su, Chau Chin	0	0	0	0
Independent Director	Chen, Yung Tsai	5,744	0	0	0
Independent Director	Jesadavat Priebjrivat	0	0	0	0
Chief Financial Officer	Maliwan Chinvorakijkul (Note1)	7,313 (20,000)	0	0	0
Chief Financial Officer & Accounting managerial Personnel	Hsu, Shou Hua (Note2)	0	0	0	0
Internal Audit Managerial Personnel	Yang, Shin Wang	0	0	0	0

Note 1: Leave Chief Financial Officer and change to Apecial Assistant of Chief Executive Office on Jan. 01, 2018. Relative information will be updated as of Jan. 01, 2018.

Note 2: Change to Chief Financial Officer on Jan. 01, 2018.

(2) Share transfer information: None

(3) Secured parties of share pledges being related parties: None

9. The top ten shareholders being related parties or spouses or relatives within the first two degrees as stated in Statement of Financial Accounting Standards No. 6

Apr. 17, 2018

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Map Co., Ltd. Investment Account entrusted under the custody of ChinaTrust Commercial Bank	10,200,840	7.06%	0	0.00%	0	0.00%	None	None	None
Nan Shan Life Insurance Company, Ltd. Representative: Du, Yinf Zong	4,762,680	3.30%	0	0.00%	0	0.00%	None	None	None
	0	0.00%	0	0.00%	0	0.00%			
Mercuries Life Insurance Co., Ltd. Representative: Chen, Xiang Jie	3,346,546	2.32%	0	0.00%	0	0.00%	None	None	None
	0	0.00%	0	0.00%	0	0.00%			
Luo,Cing-Jhuan	2,588,201	1.79%	0	0.00%	0	0.00%	None	None	None
An bao development ltd. Investment Account entrusted under the custody of ChinaTrust Commercial Bank	2,430,721	1.68%	0	0.00%	0	0.00%	None	None	None
Guo,Cing-Wun	2,290,311	1.58%	0	0.00%	0	0.00%	None	None	None
Fubon Life Insurance Co., Ltd. Representative: Tsai, Ming Xing	2,023,800	1.40%	0	0.00%	0	0.00%	None	None	None
	0	0.00%	0	0.00%	0	0.00%			
Chen,Yao-Yu	1,496,281	1.04%	0	0.00%	0	0.00%	None	None	None
Zeng,Wan-Ting	1,318,000	0.91%	0	0.00%	0	0.00%	None	None	None
Wang, Shu Mu	1,164,371	0.81%	0	0.00%	0	0.00%	None	None	None

10. Shares of the same company set up through reinvestment held by the company, directors, supervisors, managers of the company and enterprises directly or indirectly controlled by the company and the consolidated shareholding ratio

Apr. 17, 2018; Unit: thousand shares; %

Company Set up through Reinvestment	Apex's Investment		Investments from Apex's Directors, Supervisors, Managers and Enterprises Directly or Indirectly Controlled by Apex		Consolidated Investment	
	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio	No. of Shares	Shareholding Ratio
Apex Circuit (Thailand) Co., Ltd.	143,194	99.58%	- (11 shares)	0.00%	143,194	99.58%
Approach Excellence Trading Ltd.	1,000	100.00%	-	-	1,000	100.00%
Apex Electronics (Shen Zhen) Co., Ltd.	No issuance of shares	99.58%	No issuance of shares	0.00%	No issuance of shares	99.58%

## IV. Fundraising Overview

### 1. Capital and Shares

#### (1) Sources of Share Capital

##### 1. Capital Formation

May. 10, 2018; Unit: NT dollar; share

Month/ Year	Issue Price	Authorized Share Capital		Paid-in Capital		Remark		
		No. of Shares	Amount	No. of Shares	Amount	Sources of Capital	Property Other than Cash Used for Subscription	Others
10/2009	NT\$ 10	100,000,000	1,000,000,000	1,000	10,000	Startup capital	None	
12/2009	NT\$ 10	100,000,000	1,000,000,000	58,641,765	586,417,650	Transfer	None	Note1
1/2010	NT\$ 10	100,000,000	1,000,000,000	62,227,019	622,270,190	Transfer	None	Note2
1/2010	NT\$ 12.14~ 17.48	100,000,000	1,000,000,000	84,249,241	842,492,410	Cash capital increase	None	Note3
10/2011	NT\$ 28	100,000,000	1,000,000,000	92,949,241	929,492,410	Cash capital increase	None	
10/2011	NT\$ 10	200,000,000	2,000,000,000	92,949,241	929,492,410	None	None	
3/2013	NT\$ 10	200,000,000	2,000,000,000	93,616,741	936,167,410	Conversion of convertible Corporate bonds	None	
4/2013	NT\$ 10	200,000,000	2,000,000,000	95,389,241	953,892,410	Conversion of convertible Corporate bonds	None	
11/2013	NT\$ 10	200,000,000	2,000,000,000	97,051,414	970,514,140	Conversion of convertible Corporate bonds	None	
3/2014	NT\$ 10	200,000,000	2,000,000,000	97,091,822	970,918,220	Conversion of convertible Corporate bonds	None	
6/2014	NT\$ 10	200,000,000	2,000,000,000	97,916,172	979,161,720	Conversion of convertible Corporate bonds	None	
7/2014	NT\$ 10	200,000,000	2,000,000,000	97,926,946	979,269,460	Conversion of convertible Corporate bonds	None	
8/2014	NT\$ 42.5	200,000,000	2,000,000,000	110,426,946	1,104,269,460	Cash capital increase	None	
8/2014	NT\$ 10	200,000,000	2,000,000,000	117,597,665	1,175,976,650	Conversion of convertible Corporate bonds	None	
9/2014	NT\$ 10	200,000,000	2,000,000,000	120,936,439	1,209,364,390	Conversion of convertible Corporate bonds	None	
10/2014	NT\$ 10	200,000,000	2,000,000,000	122,412,433	1,224,124,330	Conversion of convertible Corporate bonds	None	
11/2014	NT\$ 10	200,000,000	2,000,000,000	122,515,665	1,125,156,650	Conversion of convertible Corporate bonds	None	
6/2015	NT\$ 10	200,000,000	2,000,000,000	122,594,919	1,225,949,190	Conversion of convertible Corporate bonds	None	
7/2017	NT\$10	200,000,000	2,000,000,000	126,517,957	1,265,179,570	Retained profits capital increase	None	
9/2017	NT\$19.5	200,000,000	2,000,000,000	144,517,957	1,445,179,570	Cash capital increase	None	

Note 1: The share capital of THB 603,999 thousands was converted at the historical exchange rate of 0.9708 to NT\$ 586,407 thousands on Dec. 21, 2009.

Note 2: The share capital of THB 36,928 thousands was converted at the historical exchange rate of 0.9708 to NT\$ 35,852 thousands on Jan. 8, 2010.

Note 3: 4,800 thousand shares were issued at the premium price of NT\$ 12.14 per share and 17,222 thousand shares were issued at the premium price of NT\$ 17.48 per share. There were 22,022 thousand shares in total.



## 2. Types of Share Issued

May. 10, 2018; Unit: share

Type of Share	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	144,517,957	55,482,043	200,000,000	Shares issued as a listed company at TWSE.

Overall information on the declaration system: None

### (2) Shareholder Structure

Apr. 17, 2018; Unit: person; share

Shareholder Structure	Government Institution	Financial Institution	Other Juristic Persons	Foreign Institutions and Individual	Individual	Total
No. of People	0	4	39	58	14,774	14,875
No. of Shares Held	0	10,483,026	2,596,315	24,096,184	107,342,432	144,517,957
Holding ratio	0.00%	7.25%	1.80%	16.67%	74.28%	100.00%

Holding ratio of capital from mainland China: 0%

### (3) Share Diversification

#### 1. Diversification of common shares

Apr. 17, 2018

Shareholding Scale	No. of Shareholders	No. of Shares Held	Shareholding Ratio
1 to 999	8,703	180,387	0.12%
1,000 to 5,000	3,521	7,738,367	5.35%
5,001 to 10,000	992	7,270,661	5.03%
10,001 to 15,000	474	5,689,081	3.94%
15,001 to 20,000	274	4,903,527	3.39%
20,001 to 30,000	270	6,687,601	4.63%
30,001 to 40,000	147	5,193,530	3.59%
40,001 to 50,000	102	4,566,933	3.16%
50,001 to 100,000	183	12,842,583	8.89%
100,001 to 200,000	99	13,541,439	9.37%
200,001 to 400,000	50	13,599,398	9.42%
400,001 to 600,000	27	12,811,002	8.86%
600,001 to 800,000	14	9,352,188	6.47%
800,001 to 1,000,000	6	5,249,796	3.63%
Over 1,000,001	13	34,891,464	24.15%
Total	14,875	144,517,957	100.00%

#### 2. Diversification of preferred shares: Not applicable

## (4) List of main shareholders

Names of shareholders in possession of more than 5% of total shares or ranking among the top ten shareholders, the amounts of shares held and shareholding ratios

Apr. 17, 2018; Unit: share

Name of Main Shareholder	Shares	No. of Shares Held	Shareholding Ratio
Map Co., Ltd. Investment Account entrusted under the custody of ChinaTrust Commercial Bank		10,200,840	7.06%
Nan Shan Life Insurance Company, Ltd.		4,762,680	3.30%
Mercuries Life Insurance Co., Ltd.		3,346,546	2.32%
Luo,Cing-Jhuan		2,588,201	1.79%
An bao development ltd. Investment Account entrusted under the custody of ChinaTrust Commercial Bank		2,430,721	1.68%
Guo,Cing-Wun		2,290,311	1.58%
Fubon Life Insurance Co., Ltd.		2,023,800	1.40%
Chen,Yao-Yu		1,496,281	1.04%
Zeng,Wan-Ting		1,318,000	0.91%
Wang, Shu Mu		1,164,371	0.81%

## (5) The market price, net value, earnings and dividend per share in the two most recent years and related information

Item	Year		2016	2017	as of May.10, 2018
	Market Price per Share	Maximum		44.10	35.50
	Minimum		29.30	18.45	17.90
	Average		36.70	27.55	21.06
Net Value per Share	Before allocation		32.54	30.47	31.77(as of Mar.31)
	After allocation		31.76	30.47 (Note1)	-
Earnings per Share	Weighted Average Shares (thousand shares)		126,518	131,597	-
	Earnings per Share		2.16	0.59	0.70(as of Mar.31)
Dividend per Share	Cash dividend		0.78	(Note 1)	-
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0.32	(Note 1)	
		Stock Dividends Appropriated from Capital Reserve	-	(Note 1)	
	Accumulated Undistributed Dividends		-	(Note 1)	-
Analysis of Return on Investment	Price-to-earnings ratio (Note 2)		16.81	45.00	7.30(as of Mar.31)
	Price-to-dividend ratio (Note 3)		33.02	(Note 1)	-
	Cash dividend yield (%) (Note 4)		2.15	(Note 1)	-

Note 1: On March 1, 2018, the board of directors proposed not to distribute any earnings in 2017. The actual figures will be finalized after the shareholders' meeting makes the decision on Jun. 15 2018.

Note 2: Price-to-earnings ratio=average closing price per share of the year/earnings per share

Note 3: Price-to-dividend ratio=average closing price per share of the year/cash dividend per share

Note 4: Cash dividend yield=cash dividend per share/average closing price per share of the year

#### (6) Company Dividend Policy and Execution

##### 1. The dividend policy set forth in the company's Memorandum and Articles (M&A):

Apex's dividend policy is specified in Article 56.1 of the current M&A. The content is as follows:

- (1) Without violating this M&A, Apex may act according to the earnings allocation proposal put forward by the board of directors and request for approval at the annual meeting of shareholders by an ordinary resolution or a special (supermajority) resolution under circumstances described in Article 11.4 (d) of the charter. If there are earnings after completion of the final account each year, Apex is required to compensate losses in the past years before acting according to the request of the competent authority and regulations set forth in the management principles for listed companies and appropriating the amount for the special reserve. The remaining amount and unallocated earnings from the previous year will then constitute the allocable earnings to be allocated in accordance with the following ratios:
  - A. No more than 2% as employees' bonus.
  - B. No more than 2% as directors and supervisors' bonus.
  - C. No less than 10% as dividend to be paid to the Members in proportion to the number of shares held by them. In addition, the Board may make proposals for the distribution of the accumulated undistributed earnings from the previous years after taking into account the actual operations, future capital expenditures or other material matters related to the operations.

When employees' bonus is distributed by way of stock dividend, the recipients may include qualified employees of the Company's Subsidiaries. No unpaid dividend and bonus shall bear interest as against the Company.

- (2) The board of directors understands that the business Apex manages belongs to a mature industry while Apex is still in the process of growing. Apex's dividend policy has been established according to its spending budgets and assessment of capital needs in the future. The amount of earnings to be retained and the amount allocable are thus decided. The board of directors may act according to the actual profit of the year and the capital condition to determine the amount of earnings to be retained and the amount to be allocated and then put forward an earnings allocation proposal for shareholders to decide at the annual meeting of shareholders. However, the cash dividends to be allocated may not be less than 70% of the total shareholder dividends.

##### 2. Execution situation:

Each cash dividends of recent 5 years (2012~2016) was more than 35% of correspondent year's EPS (35~62%).

##### 3. Allocation of dividends proposed at the shareholders' meeting this time

The boards of directors propose to not distribute 2017 shareholders' dividend during the board of director meeting on Mar. 1, 2018. After it is finalized at the annual meeting of shareholders on Jun. 15, 2018, it will be executed in accordance with related regulations.

(7) The impact of the shareholders' meeting's stock grant proposal this time on company performance and earnings per share: Not applicable, the boards of directors propose to not

distribute 2017 shareholders' dividend.

(8) Employee bonuses and remuneration for directors and supervisors

1. The percentages or limits of bonuses for employees and remuneration for directors and supervisors specified in the company M&A:

See (6) A. The dividend policy set forth in the company M&A in the preceding page.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

(1) Amounts of employee bonuses and share dividends and remuneration for directors and supervisors will be estimated in compliance with company M&A and past experience.

(2) The basis for calculating the number of shares to be distributed as employee compensation: Not applicable, the board of directors did not allocate employee bonuses in 2017.

(3) The accounting treatment of the discrepancy between the actual distributed amount and the estimated figure for the current period: If the actual distributed amount approved by broad of directors and the estimated figure have difference, it shall be follow the changes in accounting estimates by adjusting profit and loss of the approval year.

3. Employee bonus allocation proposal approved by the board of directors:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, the status of treatment: The proposal to 2017 annual distribution of earning of Company was approved by broad of directors in the meeting of Mar. 01, 2018, NT\$0 employee compensation and NT\$0 compensation for directors and supervisors was allocated in the said meeting and the estimated figure for this fiscal year is NT\$0 employee compensation and NT\$720,000 compensation for directors and supervisors, the discrepancy is mainly caused estimation difference and will balance by adjusting the profit or loss of year 2018.

4. Employee bonuses and remuneration for directors and supervisors actually allocated in the previous year:

NT\$

	Actual Amount Allocated in 2017	figure estimated in 2016	Difference
Employee cash bonus	-	-	-
Director remuneration	720,000	720,000	-

(9) Company shares bought back by Apex: None

2. Issuance of bonds

(1) Second unsecured convertible corporate bonds of the company within Taiwan, ROC

May 10, 2018

Types of Bond	Second unsecured convertible corporate bonds of the company within Taiwan, ROC	
Issue date	Jul. 21, 2014	
Par value	NT\$ 100,000, issued at par	
Place of issuance and transaction	ROC	
Issue price	100% issued at par	
Total amount	NT\$ 650,000,000	
Interest rate	Coupon rate 0%	
Duration	5 years, due on Jul. 21, 2019	
Guarantee institution	None	
Trustee	china Trust Commercial Bank Corporate Trust	
Underwriting agency	KGI Securities Co., Ltd.	
Certifying attorney	Lee and Li Attorneys-at-Law	
Certifying CPA	KPMG Accounting Firm	
Repayment	Besides converting according to regulations, selling back or redeeming during the 5-year duration, when the duration expires, repayment will be made in cash in one lump sum according to the par value.	
Unpaid principal	NT\$ 616,600,000	
Clauses on Redemption or early repayment	See “Issuance and Conversion Regulations” on p. 348~354 in Apex’s 2014 Prospectus on Convertible Bonds.	
Restriction provisions	None	
Name of credit rating agency, date of rating and results of bond rating	Not applicable	
Other rights attached	Amounts of common shares, global depositary receipts and other securities converted (exchanged or subscribed) prior to the date of printing of the annual report	As of May 10, 2018, the common shares already converted amounted to NT\$ 33,400,000.
	Issuance and conversion (exchange or subscription) Regulations	See “Issuance and Conversion Regulations” on pp. 348~354 in Apex’s 2014 Prospectus on Convertible Bonds.
The impact of issuance and conversion, exchange or subscription regulations and terms of issuance on likely stock dilution and current shareholders’ rights and interests	See “Issuance and Conversion Regulations” on pp. 348~354 in Apex’s 2014 Prospectus on Convertible Bonds.	
Name of entrusted custodian institution for exchange objects	None	

## (2)Third unsecured convertible corporate bonds of the company within Taiwan, ROC

May 10, 2018

Types of Bond	Third unsecured convertible corporate bonds of the company within Taiwan, ROC	
Issue date	May 7, 2018	
Par value	NT\$ 100,000, issued at par	
Place of issuance and transaction	ROC	
Issue price	100% issued at par	
Total amount	NT\$ 600,000,000	
Interest rate	Coupon rate 0%	
Duration	3 years, due on May 7, 2021	
Guarantee institution	None	
Trustee	Taishin International Bank	
Underwriting agency	KGI Securities Co., Ltd.	
Certifying attorney	Lee and Li Attorneys-at-Law	
Certifying CPA	KPMG Accounting Firm	
Repayment	Besides converting according to regulations, selling back or redeeming during the 3-year duration, when the duration expires, repayment will be made in cash in one lump sum according to the par value.	
Unpaid principal	NT\$ 600,000,000	
Clauses on Redemption or early repayment	See Attachment No. 1 “Issuance and Conversion Regulations” in Apex’s 2018 Prospectus on Convertible Bonds.	
Restriction provisions	None	
Name of credit rating agency, date of rating and results of bond rating	Not applicable	
Other rights attached	Amounts of common shares, global depositary receipts and other securities converted (exchanged or subscribed) prior to the date of printing of the annual report	As of May 10, 2018, the common shares already converted amounted to NT\$ 0.
	Issuance and conversion (exchange or subscription) Regulations	See Attachment No. 1 “Issuance and Conversion Regulations” in Apex’s 2018 Prospectus on Convertible Bonds.
The impact of issuance and conversion, exchange or subscription regulations and terms of issuance on likely stock dilution and current shareholders’ rights and interests	See Attachment No. 1 “Issuance and Conversion Regulations” in Apex’s 2018 Prospectus on Convertible Bonds.	
Name of entrusted custodian institution for exchange objects	None	

## (2) Bond conversion

Type of Bond		Second unsecured convertible corporate bonds of the company within Taiwan, ROC	
Year		2017	Until May 10, 2018
Item			
Convertible bond market price	Maximum	104.00	101.00
	Minimum	95.60	96.50
	Average	100.22	98.09
Conversion price (Note 1)		35.30	35.30
Issue date and conversion price at the time of issue		Jul.21, 2014 45	
Conversion obligation fulfillment		See “Issuance and Conversion Regulations” on p. 348~354 in Apex’s 2014 Prospectus on Convertible Bonds.	

Note 1: the conversion price has been adjusted from NT\$ 38.20 to NT\$ 36.0 as a result of issuance of common shares for cash capital increase and retained earnings capital increase on Aug. 27, 2017 and been adjusted from NT\$ 36.0 to NT\$ 35.3 as a result of issuance of common shares for cash capital increase on Sep.20, 2017.

Note 2: As on May 10th, 2018, no conversion happened.

Type of Bond		Third unsecured convertible corporate bonds of the company within Taiwan, ROC	
Year		Until May 10, 2018	
Item			
Convertible bond market price	Maximum	110.00	
	Minimum	106.45	
	Average	107.94	
Conversion price		21.5	
Issue date and conversion price at the time of issue		May 7, 2018 21.5	
Conversion obligation fulfillment		See Attachment No. 1 “Issuance and Conversion Regulations” in Apex’s 2018 Prospectus on Convertible Bonds.	

(3) Overseas bond: Not applicable

(4) Exchange of bonds: Not applicable

(5) Consolidated declaration of bond issuance: Not applicable

(6) Bonds with warrants attached: Not applicable

3. Issuance of preferred shares: None

4. Issuance of global depositary receipts: None

5. Issuance of employee stock warrants and new restricted employee shares: None

6. Issuance of new shares for share acquisition from or assignment to other companies: None

7. Company fund utilization plan execution:

A. Second unsecured convertible corporate bonds of the company within Taiwan, ROC

## (1) Content of plan

### 1. Content of plan

With the approval of the competent authority in July 2014, Apex issued second unsecured global convertible bonds in the country the second time. The content of the plan is as follows:

#### (1) Repayment of bank loans

According to the plan, NT\$ 280,000,000 from self-owned capital and cash capital increase plus NT\$ 400,000,000 raised from this issuance of unsecured convertible bonds would be used to repay NT\$ 680,000,000 of bank loans to reduce interest expenses to increase the ratio of self-owned capital and strengthen the financial structure. The effect on Apex's overall business development would be positive.

#### (2) Purchases of machine equipment

To sustain competitiveness and profitability, Apex has to continue to expand the production capacity for PCBs used in LCD TVs and STBs. For this reason, Apex intended spend NT\$ 658,350,000 to purchase machine equipment needed for inner-layer circuit dry film lamination, press fit, drilling, solder mask application and shape cutting during production processes. The machines included inner-layer dry film equipment; inner-layer press fit equipment, packing, moving and loading equipment, and cutting and drilling equipment. NT\$ 408,350,000 from self-owned capital and cash capital increase and NT\$ 250,000,000 from this issuance of unsecured convertible bonds would be used for the purchases.

### 2. Change of plan content: None

### 3. Sources and utilization of funds

(1) The funds needed to execute this plan totaled NT\$ 1,338,350,000.

(2) Sources of funds: The issuance of this second unsecured convertible corporate bonds of the company within Taiwan raised NT\$ 650,000,000 and the issuance of new shares for cash capital increases brought in NT\$ 531,250,000. The remaining NT\$ 157,000,000 would come from self-owned capital or bank loans.

(3) Fund utilization as specified in the plan: The funds raised this time would be

(4) Used to repay bank loans and purchase machine equipment. The schedule of

(5) fund utilization is as follows:

Plan Item	Source of capital	Estimated date of completion	Total amount required	Estimated capital utilization progress					
				2014		2015			
				Q3	Q4	Q1	Q2	Q3	Q4
Repayment of bank loans	Fundraising and issuance of securities at this time	2014 Q3	680,000	400,000	280,000	-	-	-	-
Purchase of machine equipment	Fundraising and issuance of securities at this time	2015 Q4	501,250	-	-	125,312	125,312	125,312	125,314
	Self-owned capital	2015 Q4	157,100	-	131,670	6,358	6,358	6,358	6,356
Total		-	1,338,350	400,000	411,670	131,670	131,670	131,670	131,670

4. Reasons for change of plan, effects before and after change of plan, and date of presentation of change of plan to the shareholders' meeting: Not applicable

5. Date to post data on the website as specified by the Financial Supervisory Commission: Oct. 8, 2014

### (2) Plan execution:

#### 1. Repayment of bank loans:

All bank loans were repaid in Q4, 2014. The repayment of bank loans was mainly to reduce cash outflows resulted from payment of interest expenses. It could also help strengthen repayment capacity and improve financial liquidity. Apex's liability ratio, long-term capital-to-fixed assets ratio, current ratio and quick ratio are respectively 69.79%, 74.34%, 70.01% and 48.35%. After fundraising was completed (Dec. 31, 2014), the above ratios became 58.14%, 98.78%, 96.76% and 72.91%. The ratio



changes indicate that the effect on the financial structure and debt repayment capacity was significant.

2. Purchases of machine equipment:

Until the first quarter of 2016, plan of purchasing machinery and equipment is expected in the amount of NT \$ 658,350,000. The whole implementation progress is expected to complete 100%, actual implementation progress complete 100%. The main reason of postponed procurement of equipment was caused by weak economic environment. However APEX still did continually improve production efficiency, therefore the achievement of actual profit was still good.

B. Cash capital increase by issuance of ordinary shares

(1) Content of plan

1. Content of plan

With the approval of the competent authority in July 2017 Apex issued the plan of Cash capital increase by issuance of ordinary shares. According to the plan, self-owned capital and this cash capital increase would be used to repay NT\$ 414,075,000 bank loans to reduce interest expenses to increase the ratio of self-owned capital and strengthen the financial structure. The effect on Apex's overall business development would be positive.

2. Change of plan content: None

3. Sources and utilization of funds

(1) The funds needed to execute this plan totaled NT\$ 414,075,000.

(2) Sources of funds: The issuance of Cash capital increase issued 18,000,000 ordinary shares with par value NT\$10 and issue price NT\$19.5 raised NT\$ 351,000,000. The remaining NT\$ 63,075,000 would come from self-owned capital.

(3) Fund utilization as specified in the plan: The funds raised this time would be used to repay bank loans and purchase machine equipment. The schedule of fund utilization is as follows:

Unit: NT\$ thousand					
Plan Item	Source of Capital	Estimated Date of Completion	Total Amount Required	Estimated Capital Utilization progress	
				2017	
				Q3	Q4
Repayment of Bank Loan	Fundraising and Issuance of Securities at This Time	2017 Q4	414,075	223,854	190,221

4. Reasons for change of plan, effects before and after change of plan, and date of presentation of change of plan to the shareholders' meeting: Not applicable

5. Date to post data on the website as specified by the Financial Supervisory Commission: Oct. 6, 2017.

(2) Plan execution:

1. Repayment of bank loans:

All bank loans were repaid in Q4, 2017. The repayment of bank loans was mainly to reduce cash outflows resulted from payment of interest expenses. It could also help strengthen repayment capacity and improve financial liquidity. The Evaluation of efficiency is below:

Unit: NT\$ thousand		
Item \ Year	Before Raise	After Raise
	2017 H1	2017 H2
Bank Loan	3,260,301	2,763,366
Interest Expense	49,605	53,773

As the above mentioned, 2017 H2 interest expense is NT\$ 4,168,000 greater than the

interest expense before raise and it is mainly caused by that this cash capital increase raised in late Sep. 2017 and was estimated to pay the bank loan in 2017 Q3 and 2017 Q4 successively, but the investment to subsidiary Apex Circuit (Thailand) Co., Ltd. were completed on Oct. 24, 2017 and the bank loan is repaid in 2017 Q4 actually, therefore, the bank loan after raise is less than after raise and Apex saved interest expense NT\$1,127,000 based on the estimation of the interest rate of actual repay of bank loan.

### C. Third unsecured convertible corporate bonds of the company within Taiwan, ROC

#### (1) Content of plan

##### 1. Content of plan

With the approval of the competent authority in April 2018, Apex issued the third unsecured convertible corporate bonds of the company within Taiwan, ROC. According to the plan, self-owned capital and the raised from this issuance of unsecured convertible bonds would be used to repay NT\$ 600,000,000 of bank loans to reduce interest expenses to increase the ratio of self-owned capital and strengthen the financial structure. The effect on Apex's overall business development would be positive.

##### 2. Change of plan content: None

##### 3. Sources and utilization of funds

(1) The funds needed to execute this plan totaled NT\$ 602,837,000.

(2) Sources of funds: The issuance of third unsecured convertible corporate bonds of the company within Taiwan raised NT\$ 600,000,000. The remaining NT\$ 2,837,000 would come from self-owned capital.

(3) Fund utilization as specified in the plan: The funds raised this time would be used to repay bank loans. The schedule of fund utilization is as follows:

Plan Item	Source of Capital	Estimated Date of Completion	Total Amount Required	Unit: NT\$ thousand	
				Estimated Capital Utilization progress	
				2017	
				Q3	Q4
Repayment of Bank Loan	Fundraising and Issuance of Securities at This Time	2018 Q4	602,837	272,5495	330,342

4. Reasons for change of plan, effects before and after change of plan, and date of presentation of change of plan to the shareholders' meeting: Not applicable

5. Date to post data on the website as specified by the Financial Supervisory Commission: Not applicable

#### (2) Plan execution:

##### 1. Repayment of bank loans:

Apex submitted application this third unsecured convertible corporate bonds of the company within Taiwan, ROC in March, 2018, after approved, Apex completed the collection of the fundraising and will repay the company and its subsidiary Apex Circuit (Thailand) Co., Ltd in 2018 Q2 and 2018 Q3.

### (3) Financial item analysis

Unit: NT\$ thousand

Item	2016	2017	2018 Q1	
Current assets	4,658,638	4,834,332	4,772,101	
Current liability	5,057,411	4,809,445	4,803,565	
Total liabilities	6,908,617	6,827,761	6,576,157	
Interest expense	101,608	114,365	26,450	
Operating revenue	8,585,106	10,395,323	2,418,489	
Earnings per share (NT dollar)	2.23	0.59	0.70	
Financial structure (%)	Liability-to-Assets ratio	63.40	60.79	58.75
	Ratio of long-term assets to fixed assets/real estate, plants and equipment	94.54	101.61	101.07

1. Current assets: current assets decreased in Q1, 2018 mainly because of decrease of accounts receivable.
2. Current liabilities: current liabilities decreased in Q1, 2018 mainly because of decrease both of short-term loans and payable for machinery and equipment.
3. Total liabilities: total liabilities decreased mainly because of decrease both of short-term loans and long-term loans.
4. Interest expenses: the reason of increase of interest expense was mainly from loans and corporate bonds caused by factory expansion. The amount in Q1, 2018 was not much different to Q1, 2017 (28,324 thousands).
5. Operating revenue: There was a growth in Q1, 2018 and it was mainly because the prosperous demand of customer.
6. Earnings per share (EPS): By comparing to EPS of 2017Q1, 0.52, EPS in 2018Q1 increased because that Apex increases the control of production overheads.

## V. Business Overview

### 1. Contents of Business

#### (1) Scope of business

##### 1. Major contents of business of Apex and its subsidiaries

The main business operations of Apex Group are production and sales of double-sided and multi-layer rigid printed circuit boards (PCBs). The products are sold locally in Thailand and also exported to 22 countries in different parts of the world, including China, Korea, Latin America (Brazil), South Africa, Europe and USA.

Consumer electronics makers that are clients of the group include Samsung, Pace, Technicolor, Canon, Toshiba and Hitachi. The PCBs produced by the group are mainly applied in LCD TVs, STBs, hard disks, printers, wireless transmitters, TFT panels, and multimedia products for automobiles.

##### 2. Current products and their sales percentages

Unit: NT\$ thousand

Year Product	2016		2017	
	Amount	%	Amount	%
Double Side	1,349,688	15.72	1,496,954	14.40
Multi-Layer	7,210,447	83.99	8,874,680	85.37
Others	24,971	0.29	23,689	0.23
Total	8,585,106	100.00	10,395,323	100.00

##### 3. New product and service items to be developed

With production capacity coming into operation successively in 2017, except the existing consumer products like LCD TV, set top boxes and home entertainment, the car audio and other non-safety-related automotive parts circuit boards have shown development results one after another in 2017. In the future, other brands of car audio boards will continuously be developed, while other automotive parts circuit boards will be developed simultaneously. As for consumer electronics products, we will actively develop new customers for the products of the same type that Apex currently had produced. The new customers we plan to develop are brand factories who could support higher value added products that we could expect to obtain higher economic benefit in near future.

On the other hand, along with diminishing trend of electrical products, requirements of PCB's circuit width, intervals, diameters and intervals of holes are diminishing also. Besides, application of Via-in-pad technology on rigid PCB is more and more popular. Therefore Apex is not only paying effort on strengthening equipments, but also keep providing multiple choices of SMT to customers such as process of immersion tin, spray tin and carbon treatment etc. Meanwhile, Apex keeps investing on innovation and research in order to catch up trend of industry and market.

#### (2) Industry overview

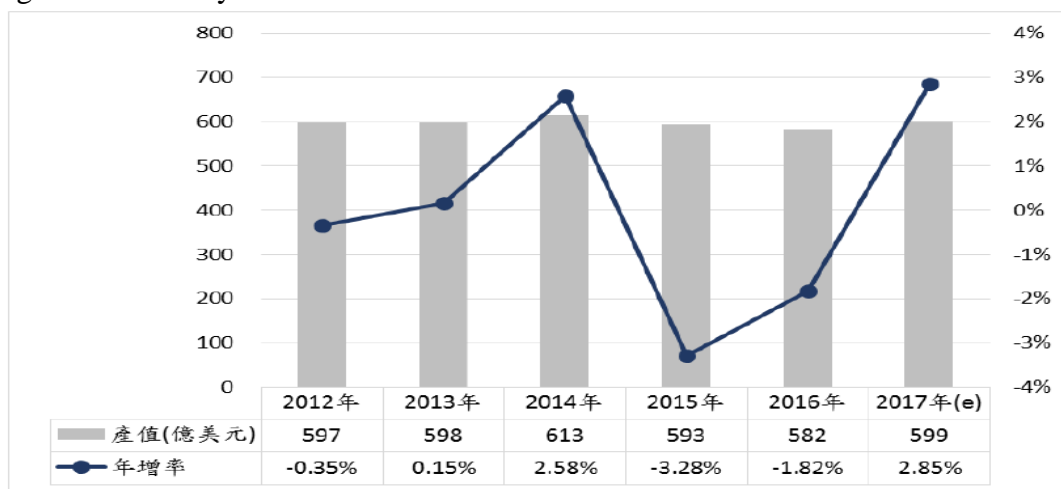
##### 1. Current status and development of the industry

The PCB is an indispensable key component in electronic products. It is used extensively in information equipment, communications equipment, consumer products, national defense and industry. The chief functions are to transmit power and signals and to serve as a device carrier. Other electronic components, such as ICs and passive components are integrated on the PCB to allow an electronic product to function. For this reason, it is

referred to as the “mother of electronic products.” Facing pressure from cost competition and new IC designs appearing one after another, production of PCBs obviously needs improvement. The number of layers is decreased instead of increased. It is compressed to maintain cost competitiveness, such as 8-layer boards being compressed to 6-layer boards and 6-layer boards to 4-layer boards. Under such circumstances, the Apex Group has to make use of the advantages it has developed from working on conventional boards to continue to improve the production process and capacity to obtain orders.

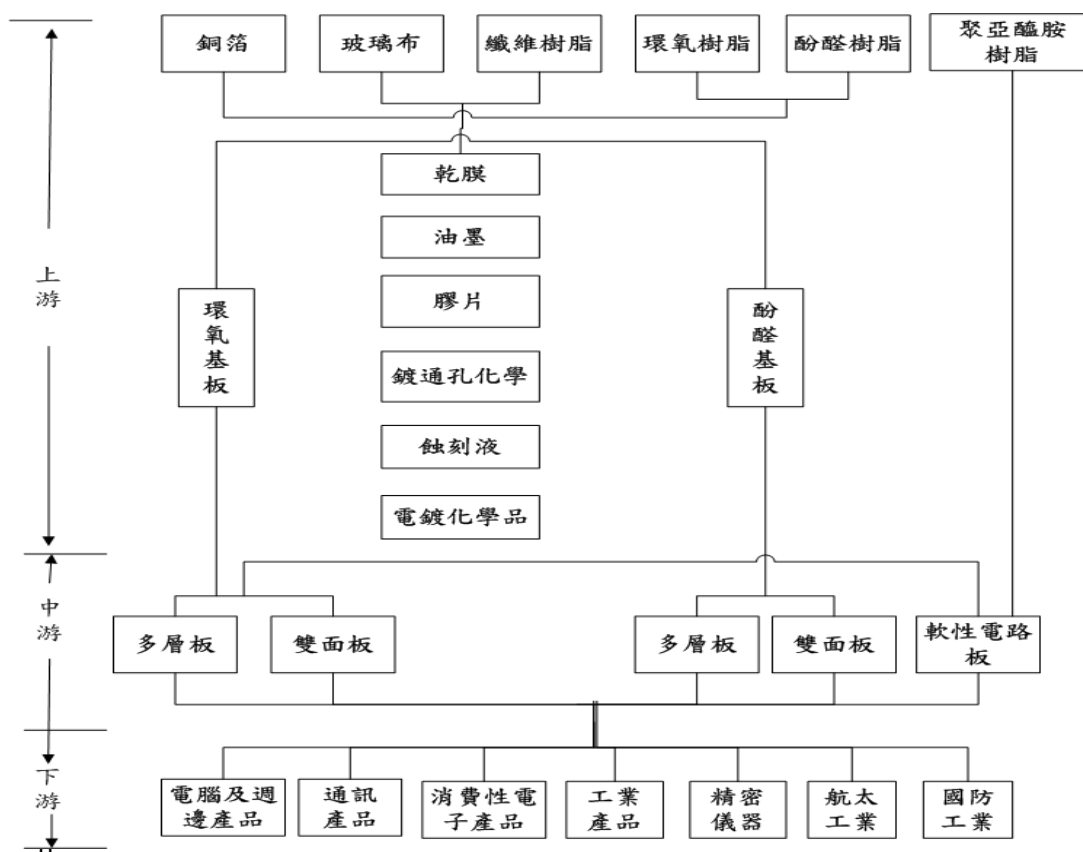
PCB is an indispensable basic part for electronic products, therefore, the PCB industry is extremely affected by the fluctuation of the electronics industry and the economic market. Since 2017, despite the lack of significant growth momentum in the Chinese mobile phone market, it has benefited from Apple's 10th anniversary launch of a new wave of new specifications such as AMOLED panels, wireless charging, 3D sensing, and multiple cameras, the upsurge in the upgrading of mobile phone specifications has led to a noticeable increase in the demand for flexible boards, class-loaded boards, and hard-soft composite boards. In addition, with the advent of electric vehicles, advanced driver assistance systems (ADAS) and autopilot, the demand for the automotive plate market has steadily increased, and international companies such as Facebook and Amazon have actively established large-scale data centers, as a result, the related Netcom and server shipments are significantly warmed, becoming another growth momentum that drives the PCB market demand in addition to mobile phones and automotive electronics applications.

On the whole, the upgrading of high-end mobile phone specifications, and the steady increase in market demand for automobiles, Netcom, and servers, led to a significant improvement in the global PCB industry output value in 2017. According to the IEK data of the Institute of Industrial Technology (see details below), 2017 annual global printed circuit board industry output value will reach 59.9 billion U.S. dollars, which is 2.85% higher than 2016 year.



## 2. Correlations between the upstream, midstream and downstream of the industry

Apex focuses on production of double-sided and multi-layer PCBs and belongs to the midstream of the industry. The upstream is the suppliers of related components and materials, such as various substrates, copper foil and prepreg. At the downstream are information equipment, communications equipment, consumer electronic product, semiconductor product, industrial control equipment, automobile, medical equipment, aerospace and national defense industries. There is no overconcentration at the upstream and the suppliers have worked with Apex for a long time. Sources of materials are stable and plentiful. The ranges of application are extensive in downstream businesses that are making solid progress.



Source: Material and Chemical Research Laboratories, Industrial Technology Research Institute

### 3. Product trends and industrial competition

In terms of product structure, the current multi-layer PCB market still dominates the market. With the rapid development of electronic circuit industry technology, the integrated functions of components have become more and more extensive. Electronic products have become more prominent in the high density of PCBs, and high-end PCB products such as high multilayer boards, HDI boards, flexible boards, and package substrates have gradually taken over market dominance. According to Prisma's prediction, in the coming period of time, the multi-layer board will still maintain the primary market position, providing important support for the overall development of the PCB industry; it is expected that by 2020, the proportion of high-tech PCBs, such as high-layer board, HDI board, flexible board and packaging substrate, etc, will reach 62.26%, and become the mainstream of the market. In the field of downstream applications, communications, computers and consumer electronics have become the three major application areas of PCBs. In recent years, with the electronic information industry, automotive electronics has become the fastest growing area of PCB applications, benefiting from the widespread use of automotive electronics. With continued development, the application of PCB in the future will be further deepened and extended.

Apex's major multi-layer board products are consumer electronics products, and its market will experience moderate growth. The Group's current revenue generation in this area is still relatively low. Therefore, if Apex can meet the requirements of the market for products and enhance process capability, there is considerable room for growth. The main competitors of such conventional hardboards are still manufacturers located in the Mainland of China, including Taiwan-funded plants and domestic-funded plants. In recent years, the companies in the Mainland of China have increasingly strengthened

their competitiveness through government support, self-technology upgrading, and the gradual integration of upstream and downstream industries.

(3) Technology and R&D overview

1. Enhancement of technological capacity

Apex has made active efforts to build up its own technological development capacity since it was founded. Most innovative technologies have been developed by its own R&D team to assure technological independence. So far, the self-developed technologies include dynamic measurement of resin polymerization, double-core shaping, depth-control drilling, special board processes parameters, polar impedance computation, linear compensation design and special asymmetric boards and improvement of manufacturing technologies for fulfilling productivity efficiency promotion and reducing cost. Besides the technologies developed by the company's own R&D team, Apex also works with major suppliers in and outside the country to ensure stable sources of technologies and upgrade product quality.

2. Funds invested in R&D in the most recent year and prior to the date of printing of the annual report

Since the establishment of the company, the engineering department has been established. The personnel of the department and the manufacturing department have a certain level of familiarity with the production parameters and production environment; therefore, the company will discuss, test and research the improvement of the process technology from time to time in order to be able to produce in line with increasingly sophisticated customer specifications. Therefore, Apex continues to invest significant resources in the improvement of product development and production technologies, and selects appropriate staff to form an ad hoc group for R&D on the basis of the process needed to improve, in order to maintain the advantages of market competition.

Apex's R&D expenses include pay for R&D personnel and costs of raw materials needed of R&D tests (without including equipment upgrade). In 2017, the funds totaled 38,828 thousands and booked as manufacturing overhead. This expense was for strengthening R&D manpower continuously in order to speed up new factory's testing and mass production schedule. In light of the market trends and product diversity, Apex started to enhance the functions, features and characteristics of exiting products through repeated innovation in R&D.

In the next 2 years, Apex expects to invest around NT\$ 600 ~ 700 million (including equipment upgrade) to develop or modify production processes to provide more services, boost product yield rates, and reduce scrap rates and costs.

3. Technologies and products developed

Year	Development Result
2010	Improvement of drilling precision Improvement of multi-layer board efficiency Adoption of physical characteristics to modify the copper plating glazing agent formula and increase of reliability of high heat treatment for products
2011	Development of a high-reliability copper-plating solution formula Optimization of desmear process parameters for halogen-free materials High-throwing power (vertical continuous) plating equipment Copper-plating solutions with high penetrating power and high reliability Technology for hole-plugging with ink on aluminum cover plates The rivet effect of non-electric through holes Addition of heat-absorbing pads in inner layers to increase product reliability

Year	Development Result
2012	Vertically spin-coated inner-layer photo resistance Development of circuit resolution test board design Development of new copper-plating fixtures
2013	Development of copper-plating anode fixtures Press fit cushion tests Research of coefficients of thermal expansion of board materials Research of improvement of shaping efficiency (by about 50%)
2014	Development of 8/10-layer board production processes Development of the production process for high-dimensional precision photovoltaic boards Development of the production process for 3mil high-density circuit boards
2015	Development of via hole on PAD process Development of resin plug process Automatic production line of text Automatic carbon ink printing production line Upgradation of PCB Image Transfer Technology from 2.5 mil to 1.5 mil.
2016	Focus on industrial and automotive board related manufacturing technology development and use robotic arm in the production process Development of HASL Lead free production processes. Development of Immersion Tin production processes Development of Heavy copper board 3 OZ PCB production processes Set up and import VDA6.3 automotive board process control Design and import robotic arm in PCB production process usage
2017	Automatic grinding drill process Improve molding efficiency: Optimize the molding path and increase the appearance of milling cutters to increase molding efficiency by about 16% The second stage of the robotic arm

#### 4. Short- and long-term business development plans

##### (1) Short-term plan

Apex aims to maintain existing clients/business relationship and expand to other printed circuit board product related applications as a one stop solution to our customer.

##### (2) Long-term plan

Apex's long-term plan is to maintain stable product quality and competitive prices and continue to improve the production processes and efficiency to meet the needs of clients and respond to market changes. Another objective of the plan is to continue to increase the energy in business expansion and do the company's best to achieve the target of annual growth in number of clients to boost production efficiency and disperse the risk of clientele concentration. The Apex has begun to accept orders for products of higher complexity and specifications and take such opportunities to upgrade its production technologies. By using more advanced equipment and improve production processes in the new plants and learning from the production for the aforesaid orders to reduce problem occurrence rates, Apex will be able to provide better products with the same cost competitiveness.

## 2. Market, production and marketing overview

### (1) Market analysis

#### 1. Main regions to which Apex's products are sold



Unit: NT\$ thousand

Year Location		2016		2017	
		Amount	%	Amount	%
Overseas	Asia	4,020,462	46.83	5,285,271	50.84
	Europe	2,079,839	24.23	2,656,064	25.55
	America	259,249	3.02	280,822	2.70
	Africa	57,661	0.67	21,168	0.20
	Subtotal	6,417,211	74.75	8,243,325	79.29
Local		2,167,895	25.25	2,151,998	20.71
Total		8,585,106	100.00	10,395,323	100.00

## 2. Market shares

Apex's 2017 annual sales total NT\$ 10,395,323 thousand (around US \$340 million).

The amount accounts for a relatively small percentage of the global 2-layer, 4-layer and 6-layer PCB market shares. In Thailand, Apex is ranking as number one Taiwanese manufacturer in Thailand in terms of capacity.

## 3. Supply-demand condition and market growth in the future

As the global notebook computer and desktop PC demand declines year after year and the continuous optimization of technology leads to a longer life cycle of the terminal information system products, the traditional use of PCBs in 2018 is not likely to show positive growth performance. However, the emerging applications of PCBs, such as automotive electronics devices, unmanned vehicles, robots, smart TVs, VR/AR devices, servers, and Netcom equipment, will increase their penetration rate, which will help support the overall PCB demand. Overall, according to Prismark statistics, the global PCB output value in 2016 reached US\$54.207 billion, and the growth rate in 2017 is expected to exceed 7%. Looking ahead to 2018, driven by the demand for emerging applications for PCBs, it is estimated that the global PCB market is expected to grow slightly.

## 4. Competitive edges

### A. Excellent corporate management

Apex's management is dedicated to the company, maintains business stability and growth, endeavors in sustenance of internal communication channels, and also adheres to five major management concepts: 1. finest quality, 2. best prices, 3. punctual deliveries, 4. excellent service and 5. Fulfillment of promises.

### B. Diversification of client sources and product applications

Apex's client spread around Japan, Korea, Europe, North America and China and major international manufacturers are among the end-customers. Diversification of client sources reduces the influence of the economic situation of a single country or region on Apex. In the meantime, diversification of product applications, including electronic products, computer-related, communications and automotive, will enable Apex to stand out as a company capable of meeting the various needs of clients and its product development can also create complementary effects, while enhancing the niche to provide customers with one-stop service.

### C. Cost control and product price

Complicated production processes and production according to orders are the

characteristics in PCB's manufacturing. Hence precise and effective management are the foundation for maintenance of competitiveness and creation of profit. Whole production processes of PCB are in-house, so Apex can control the scrap rate of each work-station in which decrease producing cost. At the same time, Apex is centralized sale and procurement in which reduce time lag. Finally, good cost control has resulted in competitive product price.

## 5. Advantageous and disadvantageous factors in future development and countermeasures

### A. Advantageous factors

#### (1) Geography and people of Thailand

Compared to other regions outside mainland China, Thailand has more competitive edges. Being an ASEAN member state, it has regional economic advantages that attract foreign investors. With the integration of AEC in 2015, Thailand will continue to enjoy advantage of exporting into South East Asia and doing cross border trade with zero tariffs. Thai people are friendly and loyal. This has made it possible for Apex to maintain the average job separation rate below 4%.

#### (2) Labor cost and labor consciousness

Despite the Thai government's announcement in recent years to raise the minimum wage, Apex has been able to keep management costs at a lower level through cost control. Fully aware that the lower labor cost in Thailand is a major contribution to its gross profit, Apex has therefore continued to increase investment in automation to reduce its dependence on labor in the future. We had also invested on automated equipment to reduce the cost of intensive labor.

#### (3) Market share and demand

Apex understands very well that cost competitiveness, decent service and responsibilities are necessary abilities for the company to survive in the electronics industry, keep customers and develop new sources of clients. We have continued to expand our market share through current customers and seek new ones to fill the production capacity of the new plants. Besides continuous acquisition of machine equipment for the new plants, Apex also makes persistent efforts in development of new products and technologies to bring up production to meet market demand as well as win opportunities to serve more customers and increase business. Apex has price advantages to compete in the market and continues to maintain close relationships with customers and develop new sources of clients.

#### (4) Competitive edges of PCB manufacturers in Asia

In recent years, production costs have kept rising in China as a consequence of growing labor costs which are subject to the policy of the Chinese government. Plus the increasingly strict environmental protection policy, PCB businesses along the eastern coast have begun to relocate to the inland. Although production costs in the Chinese inland are relatively lower, the hardware facilities and logistic services are not as progressive as those in the eastern region. This has created certain pressure on our competitors. Being based in Thailand gives Apex certain relative advantages.

#### (5) Logistic advantages in Thailand

Today, the land transportation systems in Thailand have been greatly improved. Moving goods from Thailand to anywhere in China takes only 7-10 days. Delivery time is shortened, costs are reduced, and competitiveness is boosted. For raw materials, there are four suppliers able to provide board materials. Apex also purchases services needed for production from Thailand suppliers to cut down on waiting time.

## B. Disadvantageous factors

### (1) Awakening of environmental protection awareness

Apex has implemented a number of projects in recent years, including power and waste water treatment facilities, to reduce environmental impacts. We believe the rate of return on investment of these projects will be worthwhile. Overall, we have seen initial results. We will continue our effort to control costs to ensure that the funds spent on environmental protection will not affect the profitability of the company.

#### Countermeasures

Apex continues to improve production processes to reduce contamination, adopt environmental strategies and bring in contamination prevention equipment to meet environmental protection regulations, and also commission qualified environmental protection businesses to dispose of contaminated waste to reduce environmental contamination and environmental protection expenses.

### (2) Fierce market competition

The PCB industry is the mother of the electronics industry. Price reduction pressure from customers never stops and this is the fate of this industry.

#### Countermeasures

Apex continues to improve sales tactics to maintain plant utilization rates at over 90% and is therefore able to offer competitive prices and ensure reasonable profit. Increased customer demand for multi-layer boards will boost our average sales price and profitability. Production of 2-layer boards continues to decrease while that of multi-layer boards is on the rise. This enables us to cope with competition from other regions.

### (3) Impact on profitability from exchange rate fluctuations

Exchange gains/losses will have an impact on the final profit of the company. by adopting natural hedging strategies and cautious operation of certain derivatives, Apex has reduced the likely impact from exchange rate fluctuations by a large margin.

### (4) International raw material price fluctuations

Apex takes active measures to negotiate prices of important raw materials, such as CCL, Prepreg, copper foil, solutions and dry film, with suppliers.

#### Countermeasures

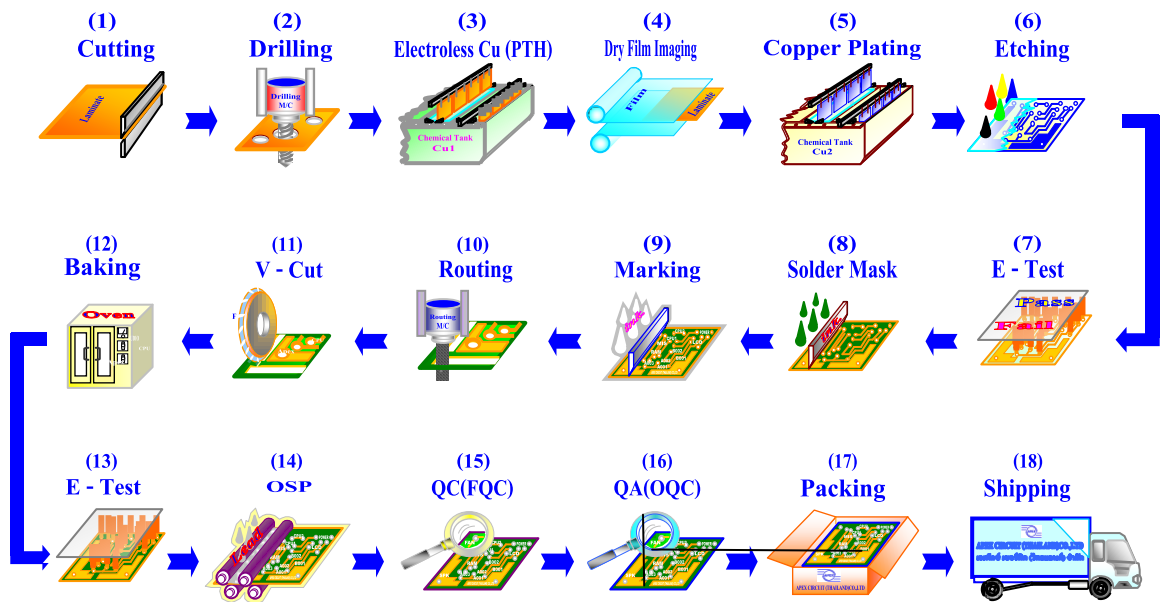
Apex keeps a close watch on price change tendencies and purchases needed quantities in advance when prices are at low points in order to maintain low material costs. We also keep good relationships with suppliers to ensure all material costs achieve our expectations. Apex also conducts cost control through quarterly plans to comply with budget arrangements.

## (2) Important uses and production processes of main products

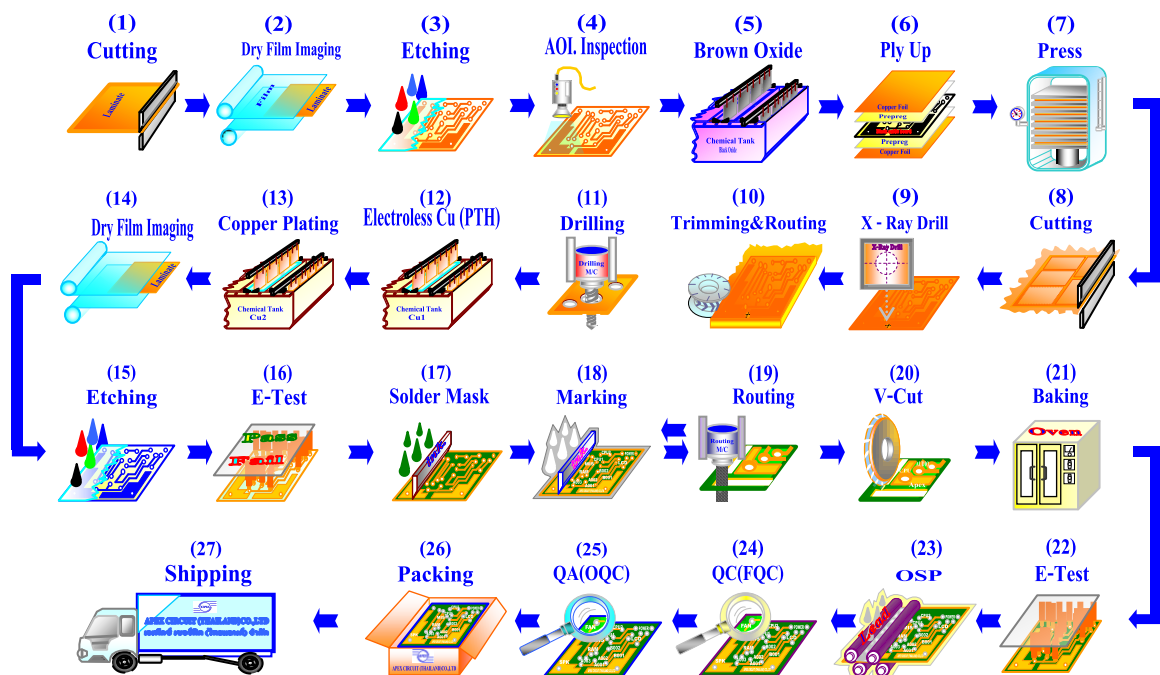
### 1. Important uses of products

Applications in End Products			
Electronic Products	Computer Accessories	Communications Equipment	Auto Parts
DVD, LCD TV, fax machine, air conditioner, digital camera, projector, photocopier, TV tuner, voltage converter	DVD player, recorder, printer, power supply, hard drive, motherboard, TFT panel, notebook	phone, communication box, satellite TV receiver, switch box	car audio, control panel and other accessories

### 2. Double-sided boards



### 3. Multi-layer boards



### (3) Supply of main raw materials

Apex is a PCB manufacturer. The main raw materials needed are substrates, copper foil and prepreg which are purchased from various suppliers in Asia, including Taiyo Ink, Nan Ya Plastics, Western, and King Board Chemical. These are all major suppliers with a good reputation and have kept a decent and stable supply-demand relationship with Apex. The prices they offer also can appropriately reflect the trends in the electronics market.

(4) Names of clients accounting for over 10% of Apex's annual sales in the two most recent years, their purchase amounts and ratios, and reasons of changes of purchased quantities

1. Main Customers

Unit: NT\$ thousand

No.	2016				2017				2018 as of the end of Q1			
	Name	Amount	Ratio to Net Annual Sales (%)	Relation with Issuer	Name	Amount	Ratio to Net Annual Sales (%)	Relation with Issuer	Name	Amount	Ratio to Net Annual Sales (%)	Relation with Issuer
1	Customer A	1,607,999	18.73%	none	Customer A	1,633,424	15.71%	none	Customer S	320,857	13.27%	none
2	Customer S	1,177,442	13.71%	none	Customer S	1,368,202	13.16%	none	Customer K	267,736	11.07%	none
3	Customer K	1,018,836	11.87%	none	Customer T	1,079,311	10.38%	none	Customer A	253,627	10.49%	none
	Others	4,780,829	55.69%	-	Others	6,314,386	60.75%		Others	1,576,269	65.17%	
	Total	8,585,106	100.00%	-	Total	10,395,323	100.00%		Total	2,418,489	100.00%	

Description of changes of main customers:

Change of the rank of each customer was mainly because of their own market changed.

## 2. Main Suppliers

Unit: NT\$ thousand

Item	2016				2017				2017 as of the end of Q1			
	Name	Amount	Ratio to total Purchases %	Relation with Issuer	Name	Amount	Ratio to total Purchases %	Relation with Issuer	Name	Amount	Ratio to total Purchases %	Relation with Issuer
1	Vendor N	1,098,077	21.26%	none	Vendor K	1,373,807	21.49%	none	Vendor K	355,740	22.15%	none
2	Vendor K	813,835	15.75%	none	Vendor N	1,171,837	18.33%	none	Vendor N	246,788	15.37%	none
3	Vendor W	411,990	7.98%	none	Vendor W	588,497	9.21%	none	Vendor C	154,669	9.63%	none
4	Vendor C	358,056	6.93%	none	Vendor C	481,498	7.53%	none	Vendor W	90,409	5.63%	none
	Others	2,483,996	48.08%	-	Others	2,776,685	43.44%		Others	758,330	47.22%	
	Net Purchases	5,165,954	100.00%	-	Net Purchases	6,392,324	100%		Net Purchases	1,605,936	100%	

Description of changes of main suppliers:

Changes of main suppliers is mainly due to the supplier's price, quality, degree of compliance and trading conditions and other factors, resulting in changes in purchase amount and target.

## (5) Production values and sales in the two most recent years

## 1. Production value in the two most recent years

Unit: square meter, NT \$thousand

Production Value Main Product	Year	2016			2017		
		Production Capacity	Production	Output Value	Production Capacity	Production	Output Value
Double-sided Board		860,000	817,840	1,166,065	920,000	889,132	1,390,814
Multi-layer Board		3,649,000	3,345,820	6,835,497	4,259,500	4,048,458	8,924,220
Total		4,509,000	4,163,660	8,001,562	5,179,500	4,937,590	10,315,034

## 2. Sales in the two most recent years

Unit: square meter, NT \$thousand

Sales Value Main Product	Year	2016				2017			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Double-sided Board		374,179	651,754	419,319	697,934	369,408	645,889	516,912	851,065
Multi-layer Board		609,759	1,501,875	2,632,607	5,708,572	627,195	1,496,415	3,428,707	7,378,265
Others		-	14,266	-	10,705	-	9,694	-	13,995
Total		983,938	2,167,895	3,051,926	6,417,211	996,603	2,151,998	3,945,619	8,243,325

Note 1: Others include processing services provided, including plating and trimming, and purchasing molds for new parts and consumables for customers.

## 3. Numbers of Employees in the two most recent years, their average length of service, average age and educational level

Year		2016	2017	As of Mar. 31, 2018
No. of Employees	Managers	73	78	78
	Production departments	3,914	4,300	4,184
	Common employees	1,840	2,013	1,945
	Total	5,827	6,391	6,207
Average age		29.39	29.17	29.33
Average length of service		3.04	3.09	3.21
Education Level	PhD	0.00%	0.00%	0.00%
	Master	0.17%	0.16%	0.16%
	University	17.04%	16.52%	16.46%
	Senior high school	40.59%	42.03%	41.44%
	Below senior high school	42.20%	41.29%	41.94%

## 4. Environmental protection expenses

Total amount of damages (including compensation) and fines resulted from environmental contamination in the most recent year and prior to the date of printing of the annual report: None.



## 5. Labor-management relations

(1) Employee welfare measures, continuing education, training, retirement system and their implementation, and labor-management agreements and protective measures for employees' rights and interests

### 1. Employees welfare system

- (1) Multiple shuttle bus routes providing transportation for employees to go to work and go home
- (2) Employee uniforms
- (3) Employee cafeterias providing three meals a day
- (4) Full attendance rewards
- (5) Sickness and funeral subsidies
- (6) Employee loans
- (7) Annual employee athletic events and parties
- (8) Senior employee citations and awards
- (9) Special treatment to pregnant employees

### 2. Continuing education and training

Good employee continuing education programs can not only enhance employees' work capacity but also help the company attract talents. From the first day employees enter the company, Apex provides complete training courses and continuing education programs to cultivate their sense of belonging and teamwork culture. Apex also encourages employees to participate in special project planning to stimulate their self-expectations and thus enhance the company's competitiveness.

Apex Group's employee training achievements in 2017 are as follows :

- (1) Internal training: It is divided into new employee training, transfer training and on-the-job training; all the accomplishment rates reached over 95%.
- (2) External training: According to type of program, it is divided into law/regulation, quality system, quality and efficiency, attitude adjustment, leadership, others, external training, output plan, CSR and courses regulated by competent authority.

### 3. Retirement system and implementation

The employ retirement system is conducted in accordance to local regulations.

- (1) Thailand area: the Company provides defined benefit retirement welfare to employees by following Section 118, Chapter 11 of the Thai Labor Protection Act. Employees who are qualified to criteria of retirement could get reasonable retirement fund with correspondent service years and salary level. The Company has booked related liability according to actuarial report issued by Thai certificated actuary.
- (2) Taiwan area: Employees in Taiwan all adapt Taiwan Labor Pension Act. The Company allocates 6% of each employee's salary to personal retirement fund under custody of Taiwan Bureau of Labor Insurance.

### 4. Protective measures for employees' rights and interests

Harmonious and pleasant workplace ambiance is an important condition for effective teamwork. To ensure smooth exchanges of ideas between the management team and employees and achievement of consensus, Apex has always regarded reasonable pay scales, decent work environments and effective communication channels as priority tasks. Apex Group adopts the following measures to communicate with employees:

- (1) The suggestion box: Employees can make their suggestions and problems known to the management team by using the suggestion box.
- (2) Weekly meetings: Apex round up all the employees once a week to convey company policies to employees to make sure consensus is achieved and all employees move toward the same goal.

(3) Regular convention of inter-division meetings: Apex’s Employee Welfare Committee helps with the protection of employees’ rights and interests to ensure the win-win target of mutual trust and mutual benefit between labor and management can be achieved. The labor-management relations in Apex are harmonious. No labor-management dispute has ever happened. Apex highly values employees’ welfare, pays attention to changes in the subjective and objective environments and establishes various welfare measures accordingly to satisfy the needs of employees.

5. Protective measures for work environments and employees’ safety

Apex Group has set up a safety division which regularly inspects whether the work environments comply with safety regulations to minimize workplace safety hazards. Apex Group also regularly provides employees with physical checkups, hoping that they can be aware of their health condition and employees’ physical and mental health can be improved. Apex’s subsidiary APT has also passed the OHSAS 18001 certification because of the fine healthy and safe work environment it created.

6. Code of ethical conduct

Apex has “Ethical Corporate Management Best Practice Principles” and its guidance policy to stipulate the types of unethical conduct, improper benefits and the whistleblower channel for both insiders and outsiders. All Apex workers are requested to act in accordance with business ethics and their responsibility to the public and stakeholders. At the same time, the members of the board of directors and the management all carry out their duties with integrity and fulfill their obligations as good managers. They also abide by the code of conduct for directors and managers and adopt strict self-discipline and cautious attitudes when exercising their duties.

(2) Damages suffered as a result of labor-management disputes in the most recent year and prior to the date of printing of the annual report, and estimates of damages from labor-management disputes likely to take place recently and in the future and the corresponding countermeasures and reasons if such damages estimated cannot be established: None

6. Important contracts

Supply and sales contracts, engineering contracts, long-term loan contracts and other important contracts able to affect the rights and interests of shareholders that are currently valid or expired in the most recent year are as follows:

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
Short-term loan contract	Bangkok Bank Public Co., Ltd.	1. Effective from: 2002.07.10 2. Effective from 2003.09.23 3. Effective from 2005.01.14 4. Effective from 2006.03.03 5. Effective from 2007.12.18 6. Effective from 2010.11.09 7. Effective from 2012.11.08 8. Effective from 2014.07.17	Short-term credit of financing facilities	Need to maintain a certain financial ratio of financial statements

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
Short-term loan contract	Kasikorn Bank Public Co., Ltd.	1. Effective from 2006.10.19 2. Effective from 2012.09.10 3. Effective from 2014.03.31 4. Effective from 2014.09.12 5. Effective from 2015.10.09 6. Effective from 2016.07.26 7. Effective from 2016.12.19 8. Effective from 2017.05.25	Short-term credit of financing facilities	Need to maintain a certain financial ratio of financial statements
Loan extension contract	Mega International Commercial Bank Public Co., Ltd.	2016.10.31~2017.10.31	Adjustment credit line of short-term loan	None
Supplementary contract	Mega International Commercial Bank Public Co., Ltd.	2017.10.31~2018.10.31	Adjustment credit line of short-term loan	None
Short-term loan contract	TMB Bank Public Co., Ltd.	Effective from 2016.08.09	Short-term credit of financing facilities	Need to maintain a certain financial ratio of financial statements
Short-term loan contract	Siam Commercial Bank Public Company Limited	Effective from 2016.08.19	Short-term credit of financing facilities	None
Short-term loan contract	Taishin International Bank Co., Ltd.	2017.06.15~2018.04.30	Short-term credit of financing facilities	Need to maintain a certain financial ratio of financial statements
Short-term loan contract	Cathay United Bank Company Ltd.	2017.03.27~2018.03.27	Short-term credit of financing facilities	None
Short-term loan & derived goods quota contract	Bank of Ayudhaya Public Co., Ltd.	1. Effective from 2016.09.05 2. Effective from 2017.04.24	Credit line of short-term financing facilities	None
Long-term loan contract	TMB Bank Public Co., Ltd.	2012.07.17~2017.07.18	Long-term loans	Need to maintain a certain financial ratio of financial statements

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
Long-term loan contract	Ta Chong Bank Co. Ltd.	2016.09.19~2017.03.30 2016.09.21~2017.04.12	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Bank Sinopac Co., Ltd.	2017.08.09~2019.08.09	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Taishin International Bank Co., Ltd.	2017.06.15~2019.04.30	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	EnTie Commercial Bank Co. Ltd.	2016.12.19~2018.12.19	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Far Eastern International Bank Co., Ltd.	2017/08/10~2019/08/09	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Mega International Commercial Bank Co., Ltd.	2017.01.23~2019.01.22	Long-term loans	For parent company operations only
Long-term loan contract	Taichung Commercial Bank co., Ltd	2017.03.29~2019.03.29	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Cathay United Bank Company Ltd.	2017.03.27~2019.03.27	Long-term loans	None
Long-term loan contract	Hwa Tai Bank Ltd.	2017.03.24~2019.03.16	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	KGI Commercial Bank Co., Ltd.	2017.03.24~2019.04.17	Long-term loans	None
Long-term loan contract	Shanghai Commercial & Savings Bank, Ltd	2017.05.12~2019.05.12	Long-term loans	None

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
Long-term loan contract	First Commercial Bank Co., Ltd.	2017.06.30~2019.06.29	Long-term loans	None
Long-term loan contract	Shin Kong Commercial Bank Co., Ltd.	2017.07.31~2019.07.31	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	E.Sun Commercial Bank Co., Ltd	2016.09.13~2017.09.06	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Bangkok Bank Public Co., Ltd	1. 84 months from 2011.08.24 2. 72 months from 2012.02.28 3. 72 months from 2012.09.26 4. 72 months from 2013.04.19 5. 66 months from 2014.07.17 6. 78 months from 2014.07.17	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Bangkok Bank Public Co., Ltd	Effective from 2016.07.22	Long-term loans	Prepayments must be paid in advance to compensate for the relevant expenses; however, decrease of the proportion of compensate described in supplementary contracts to reduce related costs as compensation for early repayment.
Financing lease contract	Kasikorn Factory & Equipment Co., Ltd.	1. 60 months from 2013.07.18 2. 60 months from 2016.06.15 3. 48 months from 2016.06.15 4. 60 months from 2016.10.25 5. 48 months from 2016.12.19	Machine finance lease	None
Financing lease contract	ICBC Leasing Co., Ltd.	1. 48 months from 2013.08.14 2. 48 months from 2015.12.04	Machine finance lease	None
Commission contract	Elecross Co., Ltd.	2016.12.01~2017.12.31	Sales commission agreement	None
Commission contract	Elecross Co., Ltd.	2017.01.01~2017.12.31	Sales commission agreement	None

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
Equipment purchase contract	Master Electric Co., Ltd.	2017.05.02~2017.08.31; 12 months warranty	Power system construction	None
Engineering contract	Fah Chun Development Limited	2017.12.08~2018.01.31; 2 years or 5 years warranty depending on the content and scope of the warranty	Interior modification of the factory building	None

## VI. Financial Overview

1. Condensed financial data for the most five recent years, CPAs' names and audit opinions

(1) The condensed balance sheet for 2013 to Mar. 31, 2018--established according to IFRS

Unit: NT\$ thousand

Item		Year	Financial Summary for The Last Five Years (note 1)					2018 Financial Data, as of Mar. 31 (Note 2)
			2013	2014	2015	2016	2017	
Current Assets			2,757,009	3,996,139	4,406,408	4,658,638	4,834,332	4,772,101
Fixed Assets			5,122,041	5,765,439	6,130,939	6,177,648	6,319,396	6,320,578
Intangible Assets			7,267	28,745	23,427	19,997	16,280	16,507
Other Assets			64,990	34,316	25,454	41,346	61,105	82,950
Total Assets			7,951,307	9,824,639	10,586,228	10,897,629	11,231,113	11,192,136
Current Liabilities	Before Allocation		3,560,253	4,129,807	5,179,842	5,057,411	4,809,445	4,803,565
	After Allocation		3,739,798	4,436,096	5,486,329	5,153,035	Note 3	Note 3
Non-current liabilities			1,774,709	1,582,662	1,299,326	1,851,206	2,018,316	1,772,592
Total Liabilities	Before Allocation		5,334,962	5,712,469	6,479,168	6,908,617	6,827,761	6,576,157
	After Allocation		5,514,507	6,018,758	6,785,655	7,004,241	Note 3	Note 3
Shareholders' Equity Attributable to Parent			2,599,042	4,091,372	4,084,712	3,965,619	4,379,472	4,592,044
Share Capital			970,514	1,225,157	1,225,950	1,225,950	1,445,180	1,445,180
Capital Reserves			700,903	1,481,385	1,483,703	1,483,703	1,652,256	1,652,256
Retained Earnings	Before Allocation		1,114,020	1,360,726	1,588,532	1,556,222	1,499,002	1,600,502
	After Allocation		934,475	1,054,437	1,282,045	1,460,598	Note 3	Note 3
Other Equity			(186,395)	24,104	(213,473)	(300,256)	(216,966)	(105,894)
Treasury Shares			-	-	-	-	-	-
Non-controlling Equity			17,303	20,798	22,348	23,393	23,880	23,935
Total Equity	Before Allocation		2,616,345	4,112,170	4,107,060	3,989,012	4,403,352	4,615,979
	After Allocation		2,436,800	3,805,881	3,800,573	3,893,388	Note 3	Note 3

Note 1: The data for 2013~2017 are based on consolidated financial statements already audited and certified by CPAs.

Note 2: The data for Q1, 2018 are based on the consolidated financial statement already reviewed by CPAs.

Note 3: Allocation of 2017 earnings was already proposed by the board of directors on March 1, 2018 but is yet to be approved by the shareholders' meeting.

(2) The condensed income statement for 2013 Mar. 31, 2018--established according IFRS

Unit: NT\$ thousand

Item \ Year	Financial Summary for The Last Five Years (note 1)					2018 Financial Data, as of Mar. 31 (Note 2)
	2013	2014	2015	2016	2017	
Operating Revenue	6,340,786	7,366,819	8,628,752	8,585,106	10,395,323	2,418,489
Gross Profit	1,244,961	1,322,013	1,640,687	1,282,538	1,084,476	301,468
Operating profit	532,329	539,582	799,284	443,441	90,884	82,539
Non-operating income and expenditure	(141,190)	(76,443)	(175,669)	(78,191)	18,237	21,826
Net Profit before Tax	391,139	463,139	623,615	365,250	109,121	104,365
Current Year's Net Profit from Continuing Operations	352,775	429,644	534,129	274,532	78,444	101,938
Loss from Discontinued Operations	-	-	-	-	-	-
Current Year's Net Profit/Loss	352,775	429,644	534,129	274,532	78,444	101,938
Current Year's Other Comprehensive Income (after-tax net amount)	(132,440)	211,543	(236,061)	(86,093)	83,300	111,544
Total Current Year's Comprehensive Income	220,375	641,187	298,068	188,439	161,744	213,482
Net Profit Attributable to Parent	350,705	427,281	531,517	273,099	78,000	101,500
Net Profit Attributable to Non-controlling Interest	2,070	2,363	2,612	1,433	444	438
Total Comprehensive Income Attributable to Parent	219,032	637,780	296,518	187,394	160,924	212,572
Total Comprehensive Income Attributable to Non-controlling Interest	1,343	3,407	1,550	1,045	820	910
Earnings per Share	3.70	4.06	4.34	2.23	0.59	0.70

Note 1: The data for 2013~2017 are based on consolidated financial statements already audited and certified by CPAs.

Note 2: The data for Q1, 2018 are based on the consolidated financial statement already reviewed by CPAs.

(3) CPAs auditing and certifying financial statements in the five most recent years and their opinions

Year	CPA	Opinion	Accounting Firm
2013	Kuan, Chun Hsiou and Lyu, Li Li	Unqualified opinion	KPMG Accounting Firm
2014	Kuan, Chun Hsiou and Lyu, Li Li	Unqualified opinion	KPMG Accounting Firm
2015	Kuan, Chun Hsiou and Lyu, Li Li	Unqualified opinion	KPMG Accounting Firm
2016	Kuan, Chun Hsiou and Lyu, Li Li	Unqualified opinion	KPMG Accounting Firm
2017	Chao, Min-Ju and Chen, Ya-Lin	Unqualified opinion	KPMG Accounting Firm



## 2. Financial analysis for recent five years

### (1) Financial analysis for 2013 ~ Mar. 31, 2018--established according to IFRS

Analysis Item (Note 3)		Financial Summary for The Last Five Years (note 1)					2018 as of Mar. 31 (Note 2)
		2013	2014	2015	2016	2017	
Financial Structure (%)	Liabilities-to-assets ratio	67.10	58.14	61.20	63.39	60.79	58.75
	Ratio of long-term funds to fixed assets	85.73	98.78	88.18	94.53	101.61	101.07
Debt-paying Ability (%)	Current ratio	77.44	96.76	85.07	92.11	100.51	99.34
	Quick ratio	54.95	73.35	61.21	62.53	71.59	66.48
	Interest protection multiples	4.86	5.52	7.41	4.59	1.95	4.94
Management Capacity	Accounts receivable turnover rate (time)	4.24	4.03	3.78	3.34	3.65	3.27
	Average collection days	86.08	90.57	96.56	109.28	100.00	111.62
	Inventory turnover rate (time)	4.65	6.42	5.95	5.00	6.04	5.11
	Accounts payable turnover rate (time)	2.82	3.55	3.16	2.82	3.09	2.88
	Average inventory turnover days	78.49	56.85	61.34	73.00	60.43	71.42
	Fixed assets turnover rate (time)	1.24	1.28	1.41	1.38	1.64	1.53
	Total assets turnover rate (time)	0.89	0.83	0.85	0.79	0.93	0.86
Profitability	Return on assets (%)	5.56	5.76	6.00	3.31	1.53	4.39
	Return on equity (%)	13.72	12.77	13.00	6.78	1.86	9.04
	Ratio of before-tax net profit to paid-in capital (%)	40.30	37.80	50.87	29.79	7.55	28.88
	Net profit ratio (%)	5.56	5.83	6.19	3.19	0.75	4.21
	Earnings per share (NT dollar)	3.70	4.06	4.34	2.23	0.59	0.70
Cash Flow	Cash flow ratio (%)	9.73	22.89	12.00	14.26	19.15	9.36
	Cash flow adequacy ratio (%)	36.44	40.70	39.99	37.23	46.37	64.01
	Cash reinvestment ratio (%)	1.14	9.76	3.96	4.66	8.15	4.34
Leverage	Operating leverage	1.63	1.90	1.70	2.32	7.85	3.04
	Financial leverage	1.12	1.23	1.14	1.29	(3.87)	1.47

Describe the causes of various financial ratio changes in the two most recent years (increases or decreases less than 20% can be excluded)

1. Interest guarantee multiple, Return on assets, Return on equity, Ratio of before-tax net profit to paid-in capital, Net profit ratio, Earnings per share: The cost of copper and copper foil substrate materials in host materials increased steadily in the year of 2017; such material costs accounted for a significant increase in the proportion of revenue and resulted in the decrease in net profit of operating margins, business interests, pre-tax net profit for this year.
2. Inventory turnover rate (time): Resulted from relatively low amount of inventory balance at the end of year 2017.
3. Cash flow ratio, Cash flow adequacy ratio and Cash reinvestment ratio: With the growth of revenue in the year 2017, the corresponding net cash flow from operating activities also increased and due to the expansion of the plant, the stage 2-3 of new plant was completed in year 2017, the scale of capital expenditures slightly decreased compared with previous years, so the ratio increased.
4. Operating leverage: The operating profit for year 2017 decreased due to the increase in material costs, which resulted in a decrease in operating margin. This resulted in an increase in the ratio.
5. Financial leverage: The operating profit for year 2017 was reduced due to the decrease in operating profit, which resulted from the increase in material costs, and caused that the decrease in the operating profit was less than the interest expense in year 2017. This resulted in an increase in the ratio.

Note 1: The data for 2013~2017 are based on consolidated financial statements already audited and certified by CPAs.

Note 2: The data for Q1, 2018 are based on the consolidated financial statement already reviewed by CPAs.

Note 3: The following equations are to be provided at the end of the annual report:

1. Financial structure

(1) Liabilities-to-assets ratio=total liabilities/total assets

(2) Ratio of long-term funds to fixed assets=(total shareholders' equity + non-current liabilities)/net fixed assets

2. Debt-paying ability

(1) Current ratio=current assets / current liabilities

(2) Quick ratio= (current assets-inventory-prepaid expenses)/current liabilities

(3) Interest protection multiples=net income before tax and interest expense payment/current year's interest expenses

3. Management capacity

(1) Accounts receivable turnover ratio (including accounts receivable and notes receivable resulted from business operation) =net sales/average balance of accounts receivable (including accounts receivable and notes receivable resulted from business operation)

(2) Average collection days=365/accounts receivable turnover ratio

(3) Inventory turnover ratio=cost of goods sold/average inventory

(4) Accounts payable turnover ratio (including accounts payable and notes payable resulted from business operation)=net sales/average balance of accounts payable (including accounts payable and notes payable resulted from business operation)

(5) Average inventory turnover days=365/inventory turnover ratio

(6) Fixed assets turnover ratio=net sales/net fixed assets

(7) Total assets turnover ratio=net sales/total assets

4. Profitability

(1) Rate of return on assets=[after-tax income + interest expenses\*(1-tax rate)]/total assets

(2) Rate of return on equity=after-tax income/total equity

(3) Net profit ratio=after-tax income/net sales

(4) Earnings per share= (income attributable to parent-preferred share dividends)/ weighted average number of shares (Note 4)

5. Cash flow

(1) Cash flow ratio=cash flow from operating activities/current liabilities

(2) Net cash flow adequacy ratio=cash flow from operating activities in the five most recent years/ (capital expenditure + inventory increase + cash dividends) in the five most recent years

(3) Cash reinvestment ratio= (cash flow from operating activities-cash dividends)/gross fixed assets + long-term investments + other non-current assets + operating funds) (Note 5)

6. Leverage

(1) Operating leverage= (net operating revenue-variable operating costs and expenses)/operating income (Note 6)

(2) Financial leverage= $\frac{\text{operating income}}{\text{operating income}-\text{interest expenses}}$

Note 4: The following must be taken into consideration when calculating earnings per share according to the above equation:

1. The weighted average number of common shares should be applied as the basis, not the number of shares issued by the end of the year.
2. When conducting cash capital increase or treasury share transactions, the circulation period has to be taken into account to calculate the weighted average number of shares.
3. When conducting capital increase out of earnings or capital reserves, calculation of the earnings per share in previous years and half-years has to include retrospective adjustments according to increase ratios and the time of new share issuance for the capital increase need not be considered.
4. If the preferred shares are non-convertible cumulative preferred shares, their dividends for the year (whether issued or not) have to be subtracted from the after-tax net profit or the after-tax net loss has to be increased. If the preferred shares are non-cumulative and there is net profit after tax, the preferred share dividends have to be subtracted from the after-tax net profit; if there is loss, no adjustment is needed.

Note 5: The following must be taken into consideration in cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities indicated in the cash flow statement.
2. Capital expenditure refers to the annual outflow of cash for capital investment.
3. Inventory increases are calculated only when the ending balance is larger than the initial balance; if the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends for common shares and preferred shares.
5. Gross fixed assets are the total fixed assets before cumulative depreciation is subtracted.

Note 6: The issuer is required to classify various operating costs and expenses as fixed and variable according to their nature. If estimation or subjective assessment is involved, it must be conducted with reason and consistency.

Note 7: If the company shares are without face value or the face value is not NT\$ 10, the aforesaid calculation of ratio of paid-in capital has to be replaced with calculation of ratio of equity attributable to parent indicated in the balance sheet.

### 3. Audit Committee Audit Report on the 2017 Financial Statement

## Audit Committee's Review Report

Board of Directors has prepared the Company's 2017 Business Report, Consolidated Financial Statement, and proposal for allocation of profits. The CPA firm of KPMG was retained to audit the Company's Consolidated Financial Statements. KPMG has completed audit procedures and issued Audit Opinion. Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by Audit Committee members of the Company. According to Article 14-4 of Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.

Apex International Co., Ltd.

Chairman of Audit Committee: Su, Chau-Chin



Date: March 01, 2018

4. The financial statement for the most recent year, including the CPA audit report, the balance sheets, consolidated income statement, statement of changes in equity, cash flow statements for the last two years and notes and addenda

## **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 statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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"), interpretation as well as related guidance endorsed 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 for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were 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 judgements, the key audit matters that should be disclosed in this audit report are as follows:

#### **1. Revenue recognition**

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

#### **Description of key audit matter:**

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

**How the matter was addressed in our audit:**

Our audit procedures included:

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

**2. Impairment of accounts receivable**

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

**Description of key audit matter:**

The accounts receivable of the Group stands a significant ratio in the total asset of the consolidated statement of financial position. Since the collectability of accounts receivable is subjected to significant judgment of the management, the impairment of accounts receivable 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:

- Performing comparison analysis on turnover rates of accounts receivable and the movements in accounts receivable of the top ten customers of the current period to last period and the latest quarter to assess the existence of any significant exceptions, and further identify and analyze the reasons if there is any significant exception.
- Assessing whether appropriate provision policies for doubtful accounts are applied.
- Obtaining aging analysis of accounts receivable and examining relevant documents to verify the accuracy of the aging period. Understanding the reason on long overdue accounts receivable of major customers to identify whether signs of impairment loss exist in order to assess the appropriateness of provision for doubtful accounts.
- Assessing whether the Group's impairment of accounts receivable has been set aside in accordance with the Group's provision policy on a consistent basis.
- Assessing the appropriateness and adequacy of provision for doubtful accounts made by the management in accordance to the ratio of actual write-offs of accounts receivable that uncollectable over the sum of historical accounts receivable and subsequent collection of accounts receivable.

### 3. Subsequent measurements of inventories

Please refer to note 4(h) "Inventories" for accounting policy related to subsequent measurements of inventories, note 5(b) for accounting assumptions and estimation uncertainties of inventories and note 6(d) 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. Since the market of printed circuit board is highly competitive, the fair value of inventories is vulnerable to the impact of the market price. 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.
- Performing comparison analysis on inventory turnover rate of the current period to last period and the latest quarter, and performing trend analysis on loss on market price decline and obsolete and slow-moving inventories to assess the existence of any significant exceptions, and further identify and analyze the reasons if there is any significant exception.
- 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, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Min-Ju Chao and Ya-Lin Chen.

KPMG

Taipei, Taiwan (Republic of China)  
March 1, 2018

#### **Notes to Readers**

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

The 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

**Consolidated Balance Sheets**

**December 31, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2017		December 31, 2016		Liabilities and Equity		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%			Amount	%	Amount	%
11xx	<b>Current assets:</b>					21xx	<b>Current liabilities:</b>				
1100	Cash and cash equivalents (note 6(a))	\$ 247,564	2	171,105	2	2100	Short-term loans (notes 6(g), 7, 8 and 9)	\$ 1,195,048	11	1,485,259	14
1110	Financial assets measured at fair value through profit or loss – current (note 6(b))	378	-	9,975	-	2120	Financial liabilities measured at fair value through profit or loss – current (notes 6(b) and (i))	172	-	719	-
1170	Accounts receivable, net (note 6(c))	3,078,106	28	2,606,788	24	2170	Accounts payable	2,186,430	19	1,950,448	18
1200	Other receivables (note 6(c))	66,075	1	334,937	3	2200	Other payables (note 7)	398,120	4	314,001	3
130x	Inventories (note 6(d))	1,390,931	12	1,495,802	14	2213	Payable for machinery and equipment	292,909	3	384,589	3
1470	Other current assets	51,278	-	40,031	-	2230	Current tax liabilities	9,012	-	37,123	-
	<b>Total current assets</b>	<u>4,834,332</u>	<u>43</u>	<u>4,658,638</u>	<u>43</u>	2322	Current portion of long-term loans (notes 6(b), (h), 7, and 8)	546,402	5	696,449	6
15xx	<b>Non-current assets:</b>					2355	Current portion of liabilities under finance leases (notes 6(j) and 8)	167,575	1	175,543	2
1600	Property, plant and equipment (note 6(e), 8, and 9)	6,319,396	57	6,177,648	57	2399	Other current liabilities	13,777	-	13,280	-
1780	Intangible assets (note 6(f))	16,280	-	19,997	-		<b>Total current liabilities</b>	<u>4,809,445</u>	<u>43</u>	<u>5,057,411</u>	<u>46</u>
1840	Deferred tax assets (note 6(m))	10,595	-	17,487	-	25xx	<b>Non-Current liabilities:</b>				
1915	Prepayment for equipment	21,360	-	16,316	-	2530	Convertible bonds payable (notes 6(i) and (n))	596,110	5	582,872	5
1920	Refundable deposits	8,256	-	7,543	-	2540	Long-term loans (notes 6(b), (h), 7, and 8)	1,021,916	9	790,391	7
1980	Other financial assets – non-current(note 8)	20,894	-	-	-	2570	Deferred tax liabilities (note 6(m))	42,501	-	44,053	1
	<b>Total non-current assets</b>	<u>6,396,781</u>	<u>57</u>	<u>6,238,991</u>	<u>57</u>	2612	Long-term payable	64,575	1	45,606	1
						2613	Liabilities under finance leases (notes 6(j) and 8)	262,587	3	363,825	3
						2670	Other non-current liabilities (notes 6(j) and (l))	30,627	-	24,459	-
							<b>Total non-current liabilities</b>	<u>2,018,316</u>	<u>18</u>	<u>1,851,206</u>	<u>17</u>
							<b>Total liabilities</b>	<u>6,827,761</u>	<u>61</u>	<u>6,908,617</u>	<u>63</u>
						2xxx	<b>Equity attributable to owners of parent (notes 6(i), (l), (m) and (n)):</b>				
						31xx	<b>Share capital:</b>				
						3110	Common stock	1,445,180	13	1,225,950	11
						3200	Capital surplus	1,652,256	15	1,483,703	14
						3300	Retained earnings	1,499,002	13	1,556,222	14
						3410	Exchange differences on translation of foreign financial statements	(216,966)	(2)	(300,256)	(2)
							<b>Total equity attributable to owners of parent</b>	<u>4,379,472</u>	<u>39</u>	<u>3,965,619</u>	<u>37</u>
						36xx	<b>Non-controlling interests</b>	23,880	-	23,393	-
						3xxx	<b>Total equity</b>	<u>4,403,352</u>	<u>39</u>	<u>3,989,012</u>	<u>37</u>
1xxx	<b>Total assets</b>	<u>\$ 11,231,113</u>	<u>100</u>	<u>10,897,629</u>	<u>100</u>	2-3xxx	<b>Total liabilities and equity</b>	<u>\$ 11,231,113</u>	<u>100</u>	<u>10,897,629</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2017 and 2016**

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

	2017		2016	
	Amount	%	Amount	%
4000 <b>Operating revenue (note 6(p))</b>	\$ 10,395,323	100	8,585,106	100
5000 <b>Operating costs (notes 6(d), (e), (f), (k) and (l))</b>	9,310,847	90	7,302,568	85
<b>Gross profit (loss) from operations</b>	<u>1,084,476</u>	<u>10</u>	<u>1,282,538</u>	<u>15</u>
6000 <b>Operating expenses (notes 6(c), (e), (f), (k), (l), (n), and 7):</b>				
6100 Selling expenses	544,589	5	418,999	5
6200 Administrative expenses	449,003	4	420,098	5
<b>Total operating expenses</b>	<u>993,592</u>	<u>9</u>	<u>839,097</u>	<u>10</u>
6900 <b>Operating income</b>	<u>90,884</u>	<u>1</u>	<u>443,441</u>	<u>5</u>
7000 <b>Non-operating income and expenses (notes 6(b), (e), (g), (h), (i), (j) and (q)):</b>				
7010 Other income	19,502	-	10,404	-
7020 Other gains and losses	113,100	1	13,013	-
7050 Finance costs	(114,365)	(1)	(101,608)	(1)
<b>Total non-operating income and expenses</b>	<u>18,237</u>	<u>-</u>	<u>(78,191)</u>	<u>(1)</u>
7900 <b>Profit before income tax</b>	109,121	1	365,250	4
7951 <b>Less: Income tax expense (note 6(m))</b>	30,677	-	90,718	1
<b>Profit</b>	<u>78,444</u>	<u>1</u>	<u>274,532</u>	<u>3</u>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	(397)	-	1,241	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	30	-	(158)	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>(367)</u>	<u>-</u>	<u>1,083</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss</b>				
8361 Exchange differences on translation of foreign operations	83,667	1	(87,176)	(1)
8399 Other components of other comprehensive income that may be subsequently reclassified to profit or loss	-	-	-	-
<b>Components of other comprehensive income that may be subsequently reclassified to profit or loss</b>	<u>83,667</u>	<u>1</u>	<u>(87,176)</u>	<u>(1)</u>
8300 <b>Other comprehensive income (after tax)</b>	<u>83,300</u>	<u>1</u>	<u>(86,093)</u>	<u>(1)</u>
<b>Total comprehensive income</b>	<u>\$ 161,744</u>	<u>2</u>	<u>188,439</u>	<u>2</u>
<b>Profit, attributable to:</b>				
8610 Owners of parent	\$ 78,000	1	273,099	3
8620 Non-controlling interests	444	-	1,433	-
	<u>\$ 78,444</u>	<u>1</u>	<u>274,532</u>	<u>3</u>
<b>Comprehensive income attributable to:</b>				
8710 Owners of parent	\$ 160,924	2	187,394	2
8720 Non-controlling interests	820	-	1,045	-
	<u>\$ 161,744</u>	<u>2</u>	<u>188,439</u>	<u>2</u>
<b>Basic earnings per share (expressed in New Taiwan dollars)(note 6(o))</b>				
9750 Basic earnings per share	<u>\$ 0.59</u>		<u>2.16</u>	
9850 Diluted earnings per share	<u>\$ 0.59</u>		<u>2.00</u>	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2017 and 2016**  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Exchange differences on translation of foreign operation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Special reserve	Unappropriated retained earnings	Total retained earnings				
<b>Balance at January 1, 2016</b>	\$ 1,225,950	1,483,703	186,395	1,402,137	1,588,532	(213,473)	4,084,712	22,348	4,107,060
Appropriation and distribution of retained earnings:									
Special reserve appropriated	-	-	27,078	(27,078)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(306,487)	(306,487)	-	(306,487)	-	(306,487)
Profit	-	-	-	273,099	273,099	-	273,099	1,433	274,532
Other comprehensive income	-	-	-	1,078	1,078	(86,783)	(85,705)	(388)	(86,093)
Total comprehensive income	-	-	-	274,177	274,177	(86,783)	187,394	1,045	188,439
Balance at December 31, 2016	1,225,950	1,483,703	213,473	1,342,749	1,556,222	(300,256)	3,965,619	23,393	3,989,012
Appropriation and distribution of retained earnings:									
Special reserve appropriated	-	-	86,783	(86,783)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(95,624)	(95,624)	-	(95,624)	-	(95,624)
Stock dividends of ordinary share	39,230	-	-	(39,230)	(39,230)	-	-	-	-
Profit	-	-	-	78,000	78,000	-	78,000	444	78,444
Other comprehensive income	-	-	-	(366)	(366)	83,290	82,924	376	83,300
Total comprehensive income	-	-	-	77,634	77,634	83,290	160,924	820	161,744
Issue of shares	180,000	168,220	-	-	-	-	348,220	-	348,220
Changes in ownership interests in subsidiaries	-	333	-	-	-	-	333	(333)	-
<b>Balance at December 31, 2017</b>	<b>\$ 1,445,180</b>	<b>1,652,256</b>	<b>300,256</b>	<b>1,198,746</b>	<b>1,499,002</b>	<b>(216,966)</b>	<b>4,379,472</b>	<b>23,880</b>	<b>4,403,352</b>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2017 and 2016**

**(Expressed in Thousands of New Taiwan Dollars)**

	2017	2016
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 109,121	365,250
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	614,721	580,290
Amortization expense	8,104	7,509
Impairment losses (reversal of impairment losses) on trade receivables	229	(2,049)
Interest expense	114,365	101,608
Interest income	(980)	(354)
Loss on disposal of property, plant and equipment	2,696	2,134
Impairment loss on non-financial assets	483	26,094
<b>Total adjustments to reconcile profit</b>	739,618	715,232
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets held for trading	9,597	(7,783)
Accounts receivable	(471,547)	(108,849)
Other receivables	268,862	(11,674)
Inventories	104,871	(260,181)
Other current assets	(11,247)	4,548
<b>Total changes in operating assets</b>	(99,464)	(383,939)
<b>Changes in operating liabilities:</b>		
Financial liabilities held for trading	(553)	(317)
Accounts payable	235,982	241,264
Other payables	83,685	(38,711)
Other current liabilities	497	(6,819)
Other non-current liabilities	5,800	4,704
<b>Total changes in operating liabilities</b>	325,411	200,121
<b>Total changes in operating assets and liabilities</b>	225,947	(183,818)
Total adjustments	965,565	531,414
Cash inflow generated from operations	1,074,686	896,664
Interest received	980	354
Interest paid	(100,693)	(88,945)
Income taxes paid	(53,955)	(86,832)
<b>Net cash flows from operating activities</b>	921,018	721,241
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(735,918)	(848,831)
Proceeds from disposal of property, plant and equipment	682	14
Acquisition of intangible assets	(3,098)	(2,458)
Increase in refundable deposits	(713)	(1,753)
Increase in other financial assets	(20,894)	-
Increase in prepayments for equipment	(4,693)	(7,433)
<b>Net cash flows used in investing activities</b>	(764,634)	(860,461)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(290,211)	100,047
Proceeds from long-term loans	2,164,780	991,315
Repayments of long-term loans	(2,096,317)	(1,005,633)
Increase in liabilities under finance leases	69,031	362,011
Decrease in liabilities under finance leases	(184,410)	(128,090)
Cash dividends paid	(95,624)	(306,487)
Proceeds from issuance of shares	348,220	-
<b>Net cash flows from (used in) financing activities</b>	(84,531)	13,163
<b>Effect of exchange rate changes on cash and cash equivalents</b>	4,606	(7,701)
<b>Net increase (decrease) in cash and cash equivalents</b>	76,459	(133,758)
<b>Cash and cash equivalents at beginning of period</b>	171,105	304,863
<b>Cash and cash equivalents at end of period</b>	\$ 247,564	171,105

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2017 and 2016**

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

**(1) Company history**

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 1, 2018.

**(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, 2017:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014

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

**Notes to the Consolidated Financial Statements**

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

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

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(i) IFRS 9 "Financial Instruments"

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

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.



## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 Impairment model. The Group estimated the application of IFRS 9 impairment requirements on January 1, 2018 will result in the increase and decrease of 974 thousands in the allowance for impairment and retained earnings, respectively.

#### 3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

#### 4) Transition

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

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

#### (ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group has completed assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements and concluded that since the timing of transferring the risks and rewards associated with the sale of goods is fairly close to that of transferring control of the goods, therefore the Group does not expect any significant impact.

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

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

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group estimated that the application of the amendment may impact the measurement of deferred tax asset, and require further analysis to determine the amount impacted.

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

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
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 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Those which may be relevant to The Group are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<ul style="list-style-type: none"> <li>• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</li> <li>• If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</li> </ul>

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

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (4) Summary of significant accounting policies:

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

The significant accounting policies presented in the consolidated financial statements are summarized as follows:

##### (a) Statement of compliance

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

##### (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) Derivative financial instruments for hedging are measured at fair value;
- 3) The defined benefit liability (asset) is recognized as plan assets measured at fair value, less, the present value of the defined benefit obligation, and measured restrictedly according to Note 4 (n).

(ii) Functional and presentation currency

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

##### (c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

- (ii) List of subsidiaries in the consolidated financial statements

The Company's subsidiaries were as follows:

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)	
			December 31, 2017	December 31, 2016
The Company	Apex Circuit (Thailand) Co., Ltd. (Apex Circuit (Thailand))	PCB manufacturing and sales	99.58% (note 1)	99.55%
The Company	Approach Excellence Trading Ltd. (incorporated in British Virgin Islands) (AET)	Supply chain integration	100.00%	100.00%
Apex Circuit (Thailand)	Apex Electronics (Shen Zhen) Co., Ltd. (APC)	PCB import and export	100.00% (note 2)	100.00%

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

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

All subsidiaries of the Group are included in the consolidated financial statements.

- (d) Foreign currency

- (i) Foreign currency transactions

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

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

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

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

### **Notes to the Consolidated Financial Statements**

(ii) Foreign operations

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

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

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

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

The Group shall classify an asset as current when:

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

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

The Group shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

- (f) Cash and cash equivalents

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

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

- (g) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

- (i) Financial assets

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

- 1) Financial assets at fair value through profit or loss

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

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

- 2) Receivables

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

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

### **Notes to the Consolidated Financial Statements**

#### 3) Impairment of financial assets

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

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

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

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

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

#### 4) Derecognition of financial assets

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

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

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



## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

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

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

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

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

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

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

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

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

### **Notes to the Consolidated Financial Statements**

2) Financial liabilities at fair value through profit or loss

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses.

When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

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

### **Notes to the Consolidated Financial Statements**

#### (h) Inventories

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

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

#### (i) Property, plant and equipment

##### (i) Recognition and measurement

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

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

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

##### (ii) Subsequent cost

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

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (iii) Depreciation

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

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

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

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

Land improvement	5 to 10 years
Buildings	3 to 20 years
Machinery and equipment	1 to 20 years
Transportation equipment	3 to 5 years
Office equipment	3 to 20 years
Leased equipment	5 to 15 years
Leasehold improvement	2 to 6 years

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

#### (j) Lease—lessee

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

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

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

#### (k) Intangible assets

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

##### (i) Subsequent expenditure

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

##### (ii) Amortization

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

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

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

#### (l) Impairment – non-derivative financial assets

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

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

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

### **Notes to the Consolidated Financial Statements**

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

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

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

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

#### **(m) Revenue**

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

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

#### **(n) Employee benefits**

##### **(i) Defined contribution plans**

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

##### **(ii) Defined benefit plans**

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

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

### **Notes to the Consolidated Financial Statements**

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

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

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

#### (iii) Other long-term employee benefits

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

#### (iv) Short-term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

### **Notes to the Consolidated Financial Statements**

(o) Income taxes

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

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

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

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

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

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

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

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



## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(p) Earnings per share

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

(q) Segment information

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

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of accounts receivable

When there is an objective evidence of impairment loss, the Group takes into consideration the historical trends and the estimation of loss incurred. The estimation of impairment loss refers to customers' past debts record, analysis of current financial condition, and aging analysis of customers' accounts receivable, and is measured with the differences between the carrying amount of asset and the estimated amount of loss. Please refer to note 6(c) for further description of the impairment of accounts receivable.

(b) Subsequent measurements of inventories

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

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

**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Cash	\$ 280	445
Demand deposits	246,878	170,291
Checking deposits	367	369
Time deposits	39	-
Cash and cash equivalents in the consolidated statement of cash flows	<b>\$ 247,564</b>	<b>171,105</b>

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

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

Please refer to note 6(q) 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, 2017 and 2016.

Forward exchange contracts:

<b>December 31, 2017</b>				
	<b>Amount</b>	<b>Currency</b>	<b>Maturity dates</b>	<b>Fair value of assets (liabilities)</b>
	<b>(in thousands)</b>			<b>(liabilities)</b>
Forward exchange purchased	USD 6,659	THB to USD	2018.5.31 ~2018.6.28	<b>378</b>
Forward exchange purchased	USD 2,000	THB to USD	2018.6.28 ~2018.6.28	<b>(172)</b>
<b>December 31, 2016</b>				
	<b>Amount</b>	<b>Currency</b>	<b>Maturity dates</b>	<b>Fair value of assets (liabilities)</b>
	<b>(in thousands)</b>			<b>(liabilities)</b>
Forward exchange purchased	USD 18,653	THB to USD	2017.2.27 ~2017.6.15	<b>9,959</b>
Forward exchange purchased	USD 5,000	THB to USD	2017.6.27 ~2017.7.5	<b>(719)</b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Interest rate swap contracts:

December 31, 2016					
Notional amount (thousand)	Fair value of assets (liabilities)	Contract period	Interest rate to pay	Interest rate to receive (%)	Swap interval
<b>THB 35,000</b>	<b>\$ 16</b>	2012.7.18- 2017.7.18	3-month THBFIX+2.65%	4.05	2013.7.18-2017.7. 18

As of December 31, 2017, there were no interest rate swap contracts entered into by the Group.

(c) Accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Accounts receivable	\$ 3,079,896	2,608,321
Other receivables	66,075	334,937
Less: allowance for doubtful accounts	(1,790)	(1,533)
	<b>\$ 3,144,181</b>	<b>2,941,725</b>

An aging analysis of past due but not impaired accounts receivable and other receivables of the Group is as follows:

	December 31, 2017	December 31, 2016
Past due 1~60 days	\$ 526,486	476,413
Past due 61~90 days	1,364	627
Past due 91~120 days	924	162
Past due 121~365 days	131	303
	<b>\$ 528,905</b>	<b>477,505</b>

Based on historical default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days.

The Group incurred an impairment loss resulting from the bankruptcy of its customers as of the third quarter of 2016. As a result of insufficient funds to cover all debts incurred from the liquidation process of its customers, the Group wrote off all the allowance for doubtful accounts as of September 30, 2016.

The allowance for bad debts and the accumulated impairment loss are used to estimate the uncollectible portion of receivables. If the Group believes that the related amount is not collectible, then the Group should offset the financial assets against the allowance for bad debts or the accumulated impairment.

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

**Notes to the Consolidated Financial Statements**

The changes in the aforementioned allowance for doubtful accounts were as follows:

	<b>Individually assessed impairment</b>	<b>Collectively assessed impairment</b>	<b>Total</b>
January 1, 2017	\$ -	1,533	1,533
Impairment loss recognized	-	229	229
Foreign exchange loss	-	28	28
December 31, 2017	<b><u>\$ -</u></b>	<b><u>1,790</u></b>	<b><u>1,790</u></b>
January 1, 2016	\$ 21,189	1,342	22,531
Impairment loss recognized (reversed)	(2,265)	216	(2,049)
Amounts written off	(18,902)	-	(18,902)
Foreign exchange gain	(22)	(25)	(47)
December 31, 2016	<b><u>\$ -</u></b>	<b><u>1,533</u></b>	<b><u>1,533</u></b>

(d) Inventories

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

	<b>December 31, 2016</b>		
	<b>Cost</b>	<b>Allowance for loss</b>	<b>Net realizable value</b>
Raw materials	\$ 528,612	(40,204)	488,408
Work in process	256,833	(8,073)	248,760
Finished goods	332,405	(33,596)	298,809
Supplies and spare parts	295,635	(25,045)	270,590
Goods in transit	189,158	-	189,158
Merchandise inventory	77	-	77
Total	<b><u>\$ 1,602,720</u></b>	<b><u>(106,918)</u></b>	<b><u>1,495,802</u></b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

In addition to the normal cost of goods sold, the following loss and revenue were included in the Group's operating costs:

	2017	2016
Loss on market price decline and obsolete and slow-moving inventories	\$ 34,768	98,852
Revenue from sale of scrap	(277,259)	(180,403)
Physical count variance	(4)	37
	<b>\$ (242,495)</b>	<b>(81,514)</b>

As of December 31, 2017 and 2016, the Group did not pledge its inventory as collateral.

(e) 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, 2017 and 2016, 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, 2017	\$	313,914	5,826	1,883,826	5,648,330	9,538	312,297	854,250	10,839	183,665	9,222,485
Additions		-	1,615	30,869	516,327	314	34,377	-	763	78,942	663,207
Disposals		-	(95)	(706)	(20,004)	(170)	(6,416)	-	-	-	(27,391)
Reclassification		-	-	5,501	131,329	-	379	26,939	-	(165,202)	(1,054)
Translation effect		4,947	122	30,405	101,671	154	5,455	14,005	149	1,155	158,063
Balance at December 31, 2017	\$	<b>318,861</b>	<b>7,468</b>	<b>1,949,895</b>	<b>6,377,653</b>	<b>9,836</b>	<b>346,092</b>	<b>895,194</b>	<b>11,751</b>	<b>98,560</b>	<b>10,015,310</b>
Balance at January 1, 2016	\$	319,174	5,536	1,846,981	5,522,632	9,698	290,635	488,060	3,849	203,549	8,690,114
Additions		-	387	74,030	575,758	1,738	33,294	-	1,650	73,722	760,579
Disposals		-	-	(842)	(64,332)	-	(7,322)	-	-	-	(72,496)
Reclassification		-	-	(4,851)	(291,317)	(1,738)	875	380,090	5,491	(90,510)	(1,960)
Translation effect		(5,260)	(97)	(31,492)	(94,411)	(160)	(5,185)	(13,900)	(151)	(3,096)	(153,752)
Balance at December 31, 2016	\$	<b>313,914</b>	<b>5,826</b>	<b>1,883,826</b>	<b>5,648,330</b>	<b>9,538</b>	<b>312,297</b>	<b>854,250</b>	<b>10,839</b>	<b>183,665</b>	<b>9,222,485</b>
Accumulated depreciation and impairment losses:											
Balance at January 1, 2017	\$	-	1,545	426,617	2,309,625	7,640	159,796	134,454	5,160	-	3,044,837
Depreciation		-	734	99,014	479,048	1,568	32,598	-	1,788	-	614,750
Impairment loss		-	-	-	483	-	-	-	-	-	483
Disposals		-	(25)	(25)	(17,882)	(170)	(5,911)	-	-	-	(24,013)
Reclassification		-	-	-	(54,878)	(341)	-	55,219	-	-	-
Translation effect		-	37	8,719	44,602	143	3,033	3,232	91	-	59,857
Balance at December 31, 2017	\$	-	<b>2,291</b>	<b>534,325</b>	<b>2,760,998</b>	<b>8,840</b>	<b>189,516</b>	<b>192,905</b>	<b>7,039</b>	-	<b>3,695,914</b>
Balance at January 1, 2016	\$	-	989	338,417	1,989,542	6,374	137,963	83,049	2,841	-	2,559,175
Depreciation		-	580	97,303	448,782	1,595	31,348	-	711	-	580,319
Impairment loss		-	-	-	26,094	-	-	-	-	-	26,094
Disposals		-	-	(379)	(63,085)	-	(6,884)	-	-	-	(70,348)
Reclassification		-	-	(1,678)	(53,396)	(203)	-	53,599	1,678	-	-
Translation effect		-	(24)	(7,046)	(38,312)	(126)	(2,631)	(2,194)	(70)	-	(50,403)
Balance at December 31, 2016	\$	-	<b>1,545</b>	<b>426,617</b>	<b>2,309,625</b>	<b>7,640</b>	<b>159,796</b>	<b>134,454</b>	<b>5,160</b>	-	<b>3,044,837</b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Carrying amount:	Land	Land improvement	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased equipment	Leasehold improvement	Unfinished construction and equipment undergoing acceptance testing	Total
Balance at December 31, 2017	\$ 318,861	5,177	1,415,570	3,616,655	996	156,576	702,289	4,712	98,560	6,319,396
Balance at December 31, 2016	\$ 313,914	4,281	1,457,209	3,338,705	1,898	152,501	719,796	5,679	183,665	6,177,648
Balance at January 1, 2016	\$ 319,174	4,547	1,508,564	3,533,090	3,324	152,672	405,011	1,008	203,549	6,130,939

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:

	2017	2016
Impairment loss	<u>\$ 483</u>	<u>26,094</u>

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

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

(f) Intangible assets

	<u>Software</u>
Costs:	
Balance at January 1, 2017	\$ 58,934
Additions	3,098
Reclassification from property, plant and equipment	1,054
Translation effect	1,004
Balance at December 31, 2017	<u>\$ 64,090</u>
Balance at January 1, 2016	\$ 55,490
Additions	2,458
Reclassification from property, plant and equipment	1,960
Translation effect	(974)
Balance at December 31, 2016	<u>\$ 58,934</u>
Amortization and impairment loss:	
Balance at January 1, 2017	\$ 38,937
Amortization	8,104
Translation effect	769
Balance at December 31, 2017	<u>\$ 47,810</u>
Balance at January 1, 2016	\$ 32,063
Amortization	7,509
Translation effect	(635)
Balance at December 31, 2016	<u>\$ 38,937</u>

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

**Notes to the Consolidated Financial Statements**

	<b>Software</b>
Carrying amount:	
Balance at December 31, 2017	<u><u>\$ 16,280</u></u>
Balance at December 31, 2016	<u><u>\$ 19,997</u></u>
Balance at January 1, 2016	<u><u>\$ 23,427</u></u>

(g) Short-term loans

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Unsecured loans	<u><u>\$ 1,195,048</u></u>	<u><u>1,485,259</u></u>
Unused credit line	<u><u>\$ 3,861,551</u></u>	<u><u>3,251,744</u></u>
Interest rate (%)	<u><u>1.65~2.45</u></u>	<u><u>1.02~2.30</u></u>

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

(h) Long-term loans

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Secured loans	\$ 665,732	852,648
Unsecured loans	902,586	634,185
Less: current portion	(546,402)	(696,449)
Fair value adjustment	-	7
Total	<u><u>\$ 1,021,916</u></u>	<u><u>790,391</u></u>
Unused credit line	<u><u>\$ 218,964</u></u>	<u><u>366,655</u></u>
Interest rate (%)	<u><u>1.50~6.25</u></u>	<u><u>1.75~6.25</u></u>
Contract period	<u><u>2018.2~2022.8</u></u>	<u><u>2017.7~2022.8</u></u>

(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 contracts with several banks in Thailand, including Bangkok Bank. The main commitment clauses in the contract with Bangkok Bank 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.
- c) Apex Circuit (Thailand) shall not pay a dividend to its shareholders without the prior written consent of Bangkok bank.

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

### **Notes to the Consolidated Financial Statements**

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

As of December 31, 2017 and 2016, the Group did not breach the commitment clause mentioned above.

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

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

As of December 31, 2017 and 2016, the Group did not breach the commitment clause mentioned above.

#### (iii) Breach of loan contract

On July 20, 2015, the Company entered into a contract with Ta Chong Bank, the main commitment clauses in the contract are as follows:

- 1) The current ratio (current asset/current liability) must exceed 90%.
- 2) The debt ratio (liability/tangible net worth) cannot exceed 150%.
- 3) The tangible net worth must exceed TWD 4 billion.

The ratio mentioned above shall be calculated based on both the audited annual consolidated financial statements and the reviewed semiannual consolidated financial statement of the Group.

For the year ended December 31, 2016, the Group could not comply with the commitment clause of debt ratio (liability/tangible net worth) not exceeding 150% and the tangible net worth exceeding TWD 4 billion, thus the Group reclassify this long-term loan to current portion of long-term loans.



## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Corporate bonds payable

	<b>Second unsecured convertible bond</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Total amount of convertible bonds	\$ 650,000	650,000
Less: Discount on issuing convertible bonds	64,350	64,350
Underwriting expense	4,027	4,027
Discounted present value of bonds payable when issued	581,623	581,623
Amortization of discount on bonds payable	44,556	31,318
Reversal of discount on bonds payable conversion	3,331	3,331
Less: Accumulated converted amount	33,400	33,400
Ending balance of bonds payable	<b><u>\$ 596,110</u></b>	<b><u>582,872</u></b>

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

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

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

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

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

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

- 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.

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

### **Notes to the Consolidated Financial Statements**

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.

7) Conversion price and adjustment:

The conversion price at the issue date is \$45 (dollars) per share. If there is any increase in the Company's common stock (including but not limited to cash injection by public offering or private offering, capital increase from retained earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split, or cash injection by participating in the issuance of overseas depository receipts) except for increases in shares from conversion of securities in which a stock conversion right or stock warrant was embedded or from issuance of new shares as employees' bonus, the Company shall calculate and adjust the conversion price based on the formula stated in the conversion arrangement before publishing an announcement through the TPEX. The adjustment shall be made at the ex-rights date when issuing new shares. However, the adjustment will be made at the date when the new share subscriptions are fully collected if the issuance of new shares involves share subscription collection. If the issue price of new shares changes after the ex-rights date for issuing new shares, the conversion price should be adjusted based on the revised issue price by using the formula stated in the conversion arrangement. If such recalculated conversion price is lower than that announced to the public through the TPEX before the ex-rights date for issuing new shares, the Company should re-announce the adjustment of the conversion price through the TPEX. The conversion price at December 31, 2017, is \$35.30 (dollars) per share.

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

**Notes to the Consolidated Financial Statements**

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

	<b>Second unsecured convertible bond</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Beginning balance—embedded derivative financial instrument (put option and call option)	\$ -	740
Valuation gain	-	(740)
Ending balance	<u>\$ -</u>	<u>-</u>

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

	<b>Second unsecured convertible bond</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Beginning balance (Ending balance)	<u>\$ 60,057</u>	<u>60,057</u>

The second 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 (July 21, 2016). Based on conservatism, the Group reclassified financial liabilities measured at fair value through profit and loss—non-current to current liabilities on June 30, 2016, but it is not required to fully repay within one year. As of July 21, 2016, no convertible bondholders had exercised the put option and requested the Group to pay the full amount at the agreed price.

- (j) Finance lease liabilities

The details of finance lease liabilities are as follows:

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

	<b>December 31, 2016</b>		
	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of minimum lease payments</b>
Less than one year	\$ 195,822	20,279	175,543
Between one and five years	385,917	22,092	363,825
	<u>\$ 581,739</u>	<u>42,371</u>	<u>539,368</u>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The increase in finance lease liabilities for the years ended December 31, 2017 and 2016, were \$69,031 and \$362,011, respectively, with an interest rate of 3.70% and 3.70%~6.38%, respectively. The maturity date are May 2021 and April 2019 to September 2021, respectively.

For the disclosure of interest expenses, please refer to note 6(q).

As of December 31, 2017 and 2016, the Group entered into a sale and leaseback transaction on Machinery. The leaseback is a financial lease. The excess of sales proceeds over the carrying amount (unrealized gain on sale and leaseback) was recognized as deduction of depreciation over the lease term. As of December 31, 2017 and 2016, the unrealized gain from the sale and leaseback amounted to \$60 and \$89, respectively, was recognized as other non-current liability.

(k) Operating leases

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Less than one year	\$ 45,144	38,395
Between one and five years	70,398	50,033
	<b>\$ 115,542</b>	<b>88,428</b>

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:

	<b>2017</b>	<b>2016</b>
Operating costs	\$ 26,310	24,051
Operating expenses	27,581	22,367
Total	<b>\$ 53,891</b>	<b>46,418</b>

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.

(l) Employee benefits

(i) Defined benefit plans

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Net defined benefit liability	<b>\$ 26,669</b>	<b>20,915</b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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:

	<b>2017</b>	<b>2016</b>
Defined benefit obligation at January 1	\$ 20,915	17,666
Current service costs and interest	5,445	4,923
Remeasurements of the net defined benefit liability		
— Actuarial gains and losses arising from changes in demographic assumptions	(132)	(1,630)
— Actuarial gains and losses arising from changes in financial assumptions	528	389
Benefit paid	(524)	(87)
Exchange differences on translation of foreign plans	437	(346)
Defined benefit obligation at December 31	<b>\$ 26,669</b>	<b>20,915</b>

2) Expenses recognized in profit or loss

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

	<b>2017</b>	<b>2016</b>
Current service costs	\$ 4,862	4,405
Net interest on the net defined benefit liability	583	518
Past service cost and gains and losses on settlement	(524)	(87)
	<b>\$ 4,921</b>	<b>4,836</b>

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 2017 and 2016 were as follows:

	<b>2017</b>	<b>2016</b>
Cumulative amount at 1 January	\$ (4,179)	(2,987)
Recognized losses during this period	397	(1,241)
Translation effect	82	49
Cumulative amount at 31 December	<b>\$ (3,700)</b>	<b>(4,179)</b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

4) Actuarial assumptions

Assumptions used on calculating the present value of the defined benefit obligation as of December 31, 2017 and 2016 were as follow:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Discount rate at December 31	2.68%	2.80%
Future salary increases (employees paid monthly)	2.50%	2.50%
Future salary increases (employees paid daily)	3.00%	3.00%

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

The weighted average duration of the defined benefit plan is 14.63 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, 2017 and 2016, the effect of changes in actuarial assumption on the present value of the defined benefit obligation was as follows:

	<b>The effect of defined benefit obligation</b>	
	<b>Increase1.00%</b>	<b>Decrease1.00%</b>
At December 31, 2017		
Discount rate (changes 1.00%)	(3,171)	3,853
Future salary adjustment rate (changes 1.00%)	3,810	(3,196)
At December 31, 2016		
Discount rate (changes 1.00%)	(2,602)	3,167
Future salary adjustment rate (changes 1.00%)	3,131	(2,622)

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.

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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 \$735 and \$727 for 2017 and 2016, respectively. Payment was made to the Bureau of Labor Insurance.

(iii) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$3,899 and \$3,457 as of December 31, 2017 and 2016, respectively.

(m) Income taxes

(i) Income tax expense

	2017	2016
Current tax expense		
Current period	\$ 27,816	73,740
Adjustment for prior periods	(1,990)	441
	25,826	74,181
Deferred tax expense		
Origination and reversal of temporary differences	4,851	16,537
Income tax expense from continuing operations	<b>\$ 30,677</b>	<b>90,718</b>

Income tax recognized under other comprehensive income for 2017 and 2016 was as follows:

	2017	2016
Items that will not reclassified into profit and loss		
Remeasurements of defined benefit liability	<b>\$ (30)</b>	<b>158</b>

Reconciliation of income tax and profit before tax for 2017 and 2016 is as follows:

	2017	2016
Profit before income tax	<b>\$ 109,121</b>	<b>365,250</b>
Income tax calculated by a statutory tax rate applied by subsidiaries	\$ 25,321	81,898
Adjustment in accordance with tax law	16,922	14,635
Tax-exempt income	(9,576)	(6,256)
Over (under)-provision in prior periods	(1,990)	441
Total	<b>\$ 30,677</b>	<b>90,718</b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2017	December 31, 2016
Tax losses	<b>\$ 12,496</b>	<b>8,858</b>

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.

The Group's estimated unused loss carry-forwards up to 2017 and 2016, 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
	<b>\$ 73,505</b>	

2) Recognized deferred tax assets and liabilities

Deferred tax liabilities:

	Fair value gains	Difference between tax purpose and financial reporting purpose for finance leases	Others	Total
<b>Balance at January 1, 2017</b>	\$ 1,264	42,789	-	44,053
Recognized in profit or loss	(1,260)	(943)	-	(2,203)
Effect in exchange rate	(4)	655	-	651
<b>Balance at December 31, 2017</b>	<b>\$ -</b>	<b>42,501</b>	<b>-</b>	<b>42,501</b>
<b>Balance at January 1, 2016</b>	\$ 350	20,461	-	20,811
Recognized in profit or loss	932	23,019	-	23,951
Effect in exchange rate	(18)	(691)	-	(709)
<b>Balance at December 31, 2016</b>	<b>\$ 1,264</b>	<b>42,789</b>	<b>-</b>	<b>44,053</b>



## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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
<b>Balance at January 1, 2017</b>	\$ 3,972	5,186	5,279	3,050	17,487
Recognized in profit or loss	(95)	(5,075)	283	(2,167)	(7,054)
Recognized in other comprehensive income	30	-	-	-	30
Effect in exchange rate	61	(23)	90	4	132
<b>Balance at December 31, 2017</b>	<b>\$ 3,968</b>	<b>88</b>	<b>5,652</b>	<b>887</b>	<b>10,595</b>
<b>Balance at January 1, 2016</b>	\$ 3,172	2,245	1,681	3,418	10,516
Recognized in profit or loss	1,023	3,025	3,683	(317)	7,414
Recognised in other comprehensive loss	(158)	-	-	-	(158)
Effect in exchange rate	(65)	(84)	(85)	(51)	(285)
<b>Balance at December 31, 2016</b>	<b>\$ 3,972</b>	<b>5,186</b>	<b>5,279</b>	<b>3,050</b>	<b>17,487</b>

(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 2016. The income tax return of AET and the Company's Taiwan Branch had been approved by the revenue department through 2015. The income tax return of APC was declared through 2016.

(n) Share capital and other equity

As of December 31, 2017 and 2016, the total value of authorized common stock are \$2,000,000. Par value of each share is \$10 (dollars), and in total, there are 200,000 thousand authorized common shares, of which 144,518 thousand shares and 122,595 thousand shares were issued, respectively. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2017 and 2016, was as follows:

	Unit: Thousand shares	
	2017	2016
Balance at January 1	122,595	122,595
Issuance of shares through capitalization of earnings	3,923	-
Issuance of shares through cash injection	18,000	-
<b>Balance at December 31</b>	<b>144,518</b>	<b>122,595</b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Issuance of common stock

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

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

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

In the year ended December 31, 2016, second convertible bondholders had the right to convert bonds into common stock with a conversion price of \$40.60 (dollars) and \$38.20 (dollars), and no bonds were converted.

(ii) Capital surplus

The balance of capital surplus was as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Premium on capital stock	\$ 1,564,799	1,396,579
Donation by shareholders	27,067	27,067
Issuance of convertible bonds – stock warrant	60,057	60,057
Gain or loss on entity's disposition of equity of the subsidiary	333	-
	<b><u>\$ 1,652,256</u></b>	<b><u>1,483,703</u></b>

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

### **Notes to the Consolidated Financial Statements**

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.

#### **(iv) Special reserve**

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

The Company decided to record a special reserve of \$86,783 and \$27,078 based on the resolution of the shareholders' meeting held on June 15, 2017 and 2016, respectively.

#### **(v) Distribution of earnings**

For the years ended December 31, 2017 and 2016, the Company proposed not to set aside employee remuneration and directors' and supervisors' remuneration. The difference between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, is accounted for as a change in accounting estimate, and recognized as profit or loss in the year of earnings distribution.

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

The Company decided to distribute the cash dividend of \$306,487 thousands, with a par value of \$2.50 per share to stockholders and the amount distributed as employee remuneration, as well as remuneration to directors and supervisors is \$0 and \$720, respectively, based on the resolution of the shareholders' meeting held on June 15, 2016. The difference between the aforementioned employees' bonus and remuneration of directors and supervisors and those which were estimated to be \$0 in 2015 was \$720 which was adjusted in 2016.

The related information about earnings distribution for 2016 and 2015 is available on the Market Observation Post System website.

(o) Earnings per share

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

	Unit: Thousand shares	
	2017	2016
Basic EPS:		
Net income	<u>\$ 78,000</u>	<u>273,099</u>
Weighted-average number of common shares outstanding	<u>131,597</u>	<u>126,518</u>
Basic EPS (New Taiwan dollars)	<u>\$ 0.59</u>	<u>2.16</u>
Diluted EPS:		
Net income	\$ 78,000	273,099
Influence of dilutive expenses	-	12,204
Net income for calculating diluted EPS	<u>\$ 78,000</u>	<u>285,303</u>
Weighted-average number of common shares outstanding	131,597	126,518
Conversion of convertible bonds	-	16,141
Weighted-average number of common shares outstanding – diluted	<u>131,597</u>	<u>142,659</u>
Diluted EPS (New Taiwan dollars)	<u>\$ 0.59</u>	<u>2.00</u>

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

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(p) Revenue

The details of revenue are as follows:

	<b>2017</b>	<b>2016</b>
Sale of goods	\$ 10,408,977	8,586,058
Less: sales returns	36,099	18,828
Less: sales allowances	1,243	7,096
	10,371,635	8,560,134
Other operating revenue	23,688	24,972
Total	<b>\$ 10,395,323</b>	<b>8,585,106</b>

(q) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

	<b>2017</b>	<b>2016</b>
Interest income	\$ 980	354
Income from cancellation of orders	12,970	5,914
Others	5,552	4,136
Total	<b>\$ 19,502</b>	<b>10,404</b>

(ii) Other gains and losses

The details of other gains and losses are as follows:

	<b>2017</b>	<b>2016</b>
Loss on disposal of property, plant and equipment	\$ (2,696)	(2,134)
Foreign exchange gain, net	125,286	32,993
Valuation gain (loss) on financial assets (liabilities), net	(9,007)	8,248
Impairment loss	(483)	(26,094)
Total	<b>\$ 113,100</b>	<b>13,013</b>

(iii) Finance cost

The details of finance cost are as follows:

	<b>2017</b>	<b>2016</b>
Interest expense on loans from banks	\$ 103,378	94,167
Less: interest expense capitalized	(2,251)	(5,503)
Amortization of discount on bonds payable	13,238	12,944
Total	<b>\$ 114,365</b>	<b>101,608</b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(r) 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 \$3,400,379 and \$3,130,348 as at December 31, 2017 and 2016, respectively.

2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. These factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances. The Group's accounts receivable are obviously concentrated on three main customers, which both accounted for 35% of the total amount of notes and accounts receivable as of December 31, 2017 and 2016. As of December 31, 2017 and 2016, the Group's accounts receivable concentrated on three main customers were \$1,203,180 and \$919,903, respectively.

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	More than 2 years
<b>December 31, 2017</b>					
Non-derivative financial liabilities					
Secured bank loans (including FV adjustment)	\$ 665,732	711,746	339,631	228,196	143,919
Unsecured bank loans	2,097,634	2,136,980	1,457,174	615,184	64,622
Finance lease liabilities	430,162	456,607	182,260	152,633	121,714
Convertible bonds payable (including put option)	596,110	596,110	-	596,110	-
Accounts payable (including payables on equipment)	2,479,339	2,479,339	2,479,339	-	-
Other payables	318,694	318,694	318,694	-	-
Long-term payable	64,575	64,575	-	64,457	118
Derivative financial liabilities					
Other forward contract –					
Outflow	172	172	172	-	-
	<b>\$ 6,652,418</b>	<b>6,764,223</b>	<b>4,777,270</b>	<b>1,656,580</b>	<b>330,373</b>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	More than 2 years
<b>December 31, 2016</b>					
Non-derivative financial liabilities					
Secured bank loans (including FV adjustment)	\$ 852,655	922,868	420,502	252,340	250,026
Unsecured bank loans	2,119,444	2,146,437	1,820,998	325,439	-
Finance lease liabilities	539,368	581,739	195,822	160,816	225,101
Convertible bonds payable (including put option)	582,872	616,600	-	-	616,600
Accounts payable (including payables on equipment)	2,335,037	2,335,037	2,335,037	-	-
Other payables	250,429	250,429	250,429	-	-
Long-term payable	45,606	45,606	-	45,606	-
Derivative financial liabilities					
Other forward contract –					
Outflow	719	719	719	-	-
	<b>\$ 6,726,130</b>	<b>6,899,435</b>	<b>5,023,507</b>	<b>784,201</b>	<b>1,091,727</b>

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

#### (iii) Currency risk

##### 1) Currency risk exposure

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

	December 31, 2017			December 31, 2016		
	Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial assets						
Monetary items						
USD	88,261	29.76	2,626,961	61,715	32.13	1,983,101
Financial liabilities						
Monetary items						
USD	114,351	30.03	3,434,003	110,313	32.42	3,576,311

##### 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.

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

A 5% strengthening (weakening) of the NTD against the USD as at December 31, 2017 and 2016, would have increased (decreased) net profit before tax for the years ended December 31, 2017 and 2016, by \$40,000 and \$80,000, 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 (losses), including realized and unrealized, were \$125,286 and \$32,993 for the years ended December 31, 2017 and 2016, 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.

If the interest rate had increased / decreased by 0.25%, the Group's net income would have decreased / increased by \$3,921 and \$3,750 for the years ended December 31, 2017 and 2016, 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 following disclosure of fair value includes fair value hierarchy information. Nevertheless, when the book value of a financial instrument not measured at fair value is a reasonable approximation of 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, they do not require disclosure of fair value information.

The Group's book value and fair value of financial assets and financial liabilities were as follows:

	December 31, 2017				
	Amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets measured at fair value through profit or loss					
Derivative financial assets – current	\$ 378	-	378	-	378



## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

		December 31, 2017			
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities – current	\$ 172	-	172	-	172
		December 31, 2016			
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Derivative financial assets – current	\$ 9,975	-	9,975	-	9,975
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities – current	\$ 719	-	719	-	719

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

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

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

### **Notes to the Consolidated Financial Statements**

#### b) Derivative financial instruments

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

#### (s) Financial risk management

##### (i) Overview

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

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

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

##### (ii) Risk management framework

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

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

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

##### (iii) Credit risk

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

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

### **Notes to the Consolidated Financial Statements**

1) Receivables and other receivables

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

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

2) Investments

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

3) Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. For information on guarantees as of December 31, 2017 and 2016, please refer to note 13.

4) 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.

5) 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.

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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.

(t) Capital management

The Group manages capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

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

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

As at December 31, 2017, the Group's capital management strategy was consistent with the prior year as at December 31, 2016. 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, 2017 and 2016, was as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Total liabilities	<u>\$ 6,827,761</u>	<u>6,908,617</u>
Total equity	<u>\$ 4,379,472</u>	<u>3,965,619</u>
Debt-to-equity ratio	<u>155.90%</u>	<u>174.21%</u>

## APEX INTERNATIONAL CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The debt-to-equity ratio as of December 31, 2017 and 2016 was within the limit set by the lender.

The Group's debt-to-equity ratio was maintained within the limit of the commitment clauses in the loan contracts as of December 31, 2016 except for Ta-Chong Bank, where the Company failed to comply with the debt to equity clause.

The quantitative data for Apex Circuit (Thailand), a subsidiary of the Company, used as a capital management tool in the relevant periods are summarized below:

	Unit: thousands of THB	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Total liabilities	<u>\$ 5,955,899</u>	<u>6,297,003</u>
Total equity	<u>\$ 6,211,785</u>	<u>5,769,047</u>
Debt-to-equity ratio	<u>95.88%</u>	<u>109.15%</u>

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

(u) Non-cash investing and financing activities

For the years ended December 31, 2017 and 2016, the Group's non-cash investing and financing activities were acquiring machinery and equipment through finance leasing and the conversion of convertible bonds into common stock. Please refer to notes 6(i), (j) and (n) for related information.

**(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 interim financial statements.

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

Note: Starting 2017, the entity's chairman lost its significant influence over the Company, therefore, the Company is no longer considered a related party of the Group.

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

**Notes to the Consolidated Financial Statements**

(c) Significant transactions with related parties

(i) Other expense

The amounts of services provided by related parties was as follows:

	<b>2017</b>	<b>2016</b>
Other related parties	<b>\$ -</b>	<b>9,064</b>

The Group requested its related parties stated above to provide services; the prices charged and terms for these service transactions were agreed by both parties, and there was no similar transaction for comparison.

(ii) Payables

The amounts of payables to related parties were as follows:

<b>Account</b>	<b>Relationship</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Other payables	Other related parties	<b>\$ 64</b>	<b>63</b>

(iii) Guarantee

For the years ended December 31, 2017 and 2016, other related parties provided credit guarantees to the Group for short-term and long-term loans.

(iv) Leases

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

	<b>2017</b>	<b>2016</b>
Other related parties	<b>\$ 754</b>	<b>769</b>

(d) Management personnel compensation

Key management personnel compensation comprised:

	<b>2017</b>	<b>2016</b>
Short-term employee benefits	\$ 27,342	28,388
Post-employment benefits	957	937
Other long-term benefits	(4)	(9)
	<b>\$ 28,295</b>	<b>29,316</b>

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

**Notes to the Consolidated Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Other financial assets			
– non-current:			
Restricted Cash	Long-term loans	\$ 20,894	-
Property, plant, and equipment:			
Land	Long-term and short-term loans	218,227	214,842
Buildings	Long-term and short-term loans	1,241,361	1,309,990
Machinery and equipment	Long-term and short-term loans, liabilities under finance leases, and electricity guarantee	1,801,274	1,517,624
Office equipment	Long-term and short-term loans	29,100	80,100
<b>Total</b>		<b><u>\$ 3,310,856</u></b>	<b><u>3,122,556</u></b>

**(9) Significant commitments and contingencies:**

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Acquiring property, plant and equipment	\$ 58,675	59,624
Long-term commitments	88,748	29,218
<b>Total</b>	<b><u>\$ 147,423</u></b>	<b><u>88,842</u></b>

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Letters of credit	\$ 123,940	117,991

(c) Guarantees provided by banks were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Electricity guarantee	\$ 70,901	64,412
Raw material purchase guarantee	18,966	14,562
<b>Total</b>	<b><u>\$ 89,867</u></b>	<b><u>78,974</u></b>

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

**Notes to the Consolidated Financial Statements**

**(10) Losses due to major disasters:None**

**(11) Subsequent events:**

According to the amendments to the "Income Tax Act" (enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by \$16 thousands.

On March 1, 2018, the Board of Directors has decided to issue its third unsecured convertible bond amounting to \$600,000 at par value, with a face value of \$100 per share, within a period of 3 years. Proceeds from the issuance of convertible bond will mainly be used to repay bank loans.

**(12) Other:**

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

Function Account	2017			2016		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	1,196,733	189,332	1,386,065	988,603	179,898	1,168,501
Health insurance	-	1,213	1,213	-	1,172	1,172
Pension	3,068	2,588	5,656	2,490	3,073	5,563
Other personnel expense	127,620	85,202	212,822	112,857	69,537	182,394
Depreciation	583,744	30,977	614,721	551,217	29,073	580,290
Depletion	-	-	-	-	-	-
Amortization	2,830	5,274	8,104	2,786	4,723	7,509

Note: For the years ended December 31, 2017 and 2016, amortized deferred revenue both amounting to \$29, was excluded from the depreciation.



**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, 2017:

- (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)	13,138,416 (Note 2)	5,288,226	4,878,549	2,337,869	-	111.40%	13,138,416 (Note 3)	Y	N	N
2	Apex Circuit (Thailand)	The Company	(Note 1)	1,313,842 (Note 4)	344,960	-	-	-	- %	2,842,824 (Note 5)	N	Y	N

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

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

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

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

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

- (iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):None  
(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None  
(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None  
(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None  
(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Company name	Counterparty	Nature of relationship (note 2)	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remarks
			Purchase /Sale	Amount	Percentage of total purchases (sales) (%)	Credit terms (days)	Unit price	Payment terms	Ending balance of notes and accounts receivable (payable)	Percentage of total notes and accounts receivable (payable) (%)	
Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd.	3	Sales	186,140	100%	Note 1	-	-	61,735	100%	Note 3

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

Note 2: 1. Parent company to subsidiary company.  
2. Subsidiary company to parent company.  
3. Subsidiary company to subsidiary.

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

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None  
(ix) Information regarding trading in derivative financial instruments:None 6(b) and (h)

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd	3	Sales	186,140	No significant differences	1.78%
2	Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd	3	Accounts receivable	61,735	No significant differences	0.55%

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, 2017 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2017	December 31, 2016	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	3,004,742	143,194	99.58%	5,661,767	96,83	96,395	
Apex International Co., Ltd.	Approach Excellence Trading Ltd.	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00%	6,543	(1,189)	(1,410)	

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

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

(c) Information on investment in mainland China:

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

Unit: in thousands of dollars

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2016 (Note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017 (Note 4)	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses) (Notes 2 and 3)	Book value (Notes 2 and 3)	Accumulated remittance of earnings in current period
					Outflow (Note 4)	Inflow (Note 4)						
Apex Electronics (Shen Zhen) Co., Ltd	Import/export of PCB (printed circuit board)	24,003 (CNY5,000)	2	-	-	-	-	(10,859) (CNY(2,407))	99.58%	(10,813) (CNY(2,397))	1,358 (CNY292)	-

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

- (1) Invest in Mainland China directly.
- (2) Invest in Thailand (Apex Circuit Co., Ltd.), and then invest in China Company.
- (3) Other methods.

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

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

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

Note 5: The book value at end of year are calculated by the exchange rate on December 31, 2017 (BS exchange rate CNY:TWD=1:4.6471).The net income (loss) of the investee company and investment gains (losses) recognized by the parent company are calculated by the average exchange rate (IS exchange rate CNY:TWD=1:4.5114.)

(ii) Limitation on investment in Mainland China: Not applicable.

(iii) Significant transactions:None

## APEX INTERNATIONAL CO., LTD. AND ITS 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, 2017 and 2016.

	December 31, 2017			
	Thailand	Others	Adjustments and eliminations	Consolidated
Revenue:				
Revenue from external customers	\$ 10,392,707	2,616	-	10,395,323
Revenue from transactions with other operating segments	2,468	186,336	(188,804)	-
<b>Total revenue</b>	<b>\$ 10,395,175</b>	<b>188,952</b>	<b>(188,804)</b>	<b>10,395,323</b>
Interest expense	\$ 83,497	30,868	-	114,365
Depreciation and amortization	\$ 622,151	674	-	622,825
<b>Segment's profit or loss</b>	<b>\$ 138,606</b>	<b>(29,264)</b>	<b>(221)</b>	<b>109,121</b>
<b>Segment's assets</b>	<b>\$ 11,135,717</b>	<b>163,065</b>	<b>(67,669)</b>	<b>11,231,113</b>
	December 31, 2016			
	Thailand	Others	Adjustments and eliminations	Consolidated
Revenue:				
Revenue from external customers	\$ 8,578,312	6,794	-	8,585,106
Revenue from transactions with other operating segments	6,447	143,967	(150,414)	-
<b>Total revenue</b>	<b>\$ 8,584,759</b>	<b>150,761</b>	<b>(150,414)</b>	<b>8,585,106</b>
Interest expense	\$ 78,769	22,839	-	101,608
Depreciation and amortization	\$ 587,005	794	-	587,799
<b>Segment's profit or loss</b>	<b>\$ 420,092</b>	<b>(54,747)</b>	<b>(95)</b>	<b>365,250</b>
<b>Segment's assets</b>	<b>\$ 10,872,718</b>	<b>85,072</b>	<b>(60,161)</b>	<b>10,897,629</b>

**APEX INTERNATIONAL CO., LTD. AND ITS 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

<u>Region</u>	<u>2017</u>	<u>2016</u>
Thailand	\$ 2,151,998	2,153,629
Samoa	1,755,908	1,607,999
Singapore	1,501,374	1,297,522
Others	4,986,043	3,525,956
Total	<u>\$ 10,395,323</u>	<u>8,585,106</u>

Non-current assets:

<u>Region</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Taiwan	\$ 516	964
China	-	457
Thailand	6,356,520	6,212,540
Total	<u>\$ 6,357,036</u>	<u>6,213,961</u>

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

(d) Information on major customers

	<u>2017</u>	<u>2016</u>
A customer from Thailand segment	<u>\$ 2,408,419</u>	<u>1,739,632</u>
B customer from Thailand segment	<u>\$ 1,755,908</u>	<u>1,656,025</u>
C customer from Thailand segment	<u>\$ 1,079,371</u>	<u>771,956</u>
D customer from Thailand segment	<u>\$ 985,606</u>	<u>1,018,836</u>

5. CPA-audited/certified individual financial statements in recent years: Not applicable
6. The impact on company finance from cash flow problems encountered by the company or any of its affiliates in the most recent year and prior to the date of printing of the annual report: None

## VII. Review and Analysis of Financial Status and Performance and Risks

### 1. Financial Status

Main causes of significant asset, liability and shareholders' equity changes in the two most recent years and their impact

Unit: NT\$ thousand; %

Item \ Year	2016	2017	Difference	
			Amount	%
Current Assets	4,658,638	4,834,332	175,694	3.77
Net Fixed Assets	6,177,648	6,319,396	141,748	2.29
Intangible Assets	19,997	16,280	(3,717)	(18.59)
Other Assets	41,346	61,105	19,759	47.79
Total Assets	10,897,629	11,231,113	333,484	3.06
Current Liabilities	5,057,411	4,809,445	(247,966)	(4.90)
Non-current liabilities	1,851,206	2,018,316	167,110	9.03
Total Liabilities	6,908,617	6,827,761	(80,856)	(1.17)
Share Capital	1,225,950	1,445,180	219,230	17.88
Capital Reserves	1,483,703	1,652,256	168,553	11.36
Retained Earnings	1,556,222	1,499,002	(57,220)	(3.68)
Total Shareholders' Equity	3,989,012	4,403,352	414,340	10.39

Note: 2016 and 2017 financial statements on IFRS are already audited and certified by CPAs.

Explanation for ratio increase/decrease changes achieving over 20%:

Other Assets:

Mainly due to increase of other financial assets in 2017- non-current restricted bank deposits.

## 2. Financial Performance

(1) Main causes of significant operating revenue, net profit and before-tax net profit changes in the two most recent years

Unit: NT\$ thousand; %

Item	Year	2016	2017	Amount of increases or Decrease	Ratio of Change
Net Operating Revenue		8,585,106	10,395,323	1,810,217	21.09
Operating Costs		7,302,568	9,310,847	2,008,279	27.50
Gross Operating Profit		1,282,538	1,084,476	(198,062)	(15.44)
Operating Expenses		839,097	993,592	154,495	18.41
Operating Income		443,441	90,884	(352,557)	(79.50)
Non-operating Revenue and Expenditure		(78,191)	18,237	96,428	123.32
Before-tax Net Profit		365,250	109,121	(256,129)	(70.12)
Income Tax		90,718	30,677	(60,041)	(66.18)
Net Profit for the Year		274,532	78,444	(196,088)	(71.43)
Other comprehensive Income		(86,093)	83,300	169,393	196.76
Comprehensive Income		188,439	161,744	(26,695)	(14.17)

Note: 2016 and 2017 financial statements on IFRS are already audited and certified by CPAs.

Explanation of ratio increase/decrease changes achieving over 20%:

1. Increase in Operating Revenue: Mainly result from the complete of the late stage in the third phase of expansion of Apex's new plant in the third quarter of 2017 and the prosperous shipping to customer; resulting in continued revenue growth.
2. Increase in Operating Costs: Mainly result from the sharp rising of the cost of material copper and copper foil substrate materials in year 2017; resulting in increase of material costs, in addition to the completion of the late stage in the third phase of expansion of Apex's new plant in the third quarter of 2017, continuous growth of operating revenue increases operating costs correspondingly.
3. Reduction in Operating Net Profit: Mainly result from the increase of material costs in year 2017; resulted in a drop in operating margins.
4. Increase in Non-operating Revenue and Expenditure: Mainly result from the increase in exchange benefit in year 2017, US dollar debt position of Apex is usually higher than US dollar assets; and it is affected by the appreciation of the Thai baht and the Taiwan dollar and the increase of exchange benefit for the appreciation of the Asian currency.
5. Decrease of Before-tax Net Profit and Net Profit for the Year: Mainly result from decrease in gross operating profit in 2017.
6. Decrease in Income Tax expenses: Mainly result from the obtain of a new tax exemption certificate for the old factory in September 2017, which reduced the income tax expense for the year 2017 as compared with the same period of last year.
7. Increase in Other comprehensive Income (net after tax): Due to US dollar debt position of Apex is higher than U.S. dollar assets, and it is affected by the appreciation of the Thai baht and the Taiwan dollar and the increase of exchange benefit for the appreciation of the Asian currency, which caused the exchange benefit of financial statements of the foreign operating organization of this year is increased than which in year 2016.
8. The decrease in Comprehensive income of this year: Mainly result from decrease in Net Profit for the Year.

(2) Effect of changes on the company's future business:

Apex has completed the expansion of 2-3 stages in year 2017 and will focus on improving the profit structure and financial structure in the short term. Therefore, it is expected that the number of sales in 2018 will not increase substantially.

(3) Likely influence on company finance in the future and contingency plans:

The overall economic environment in year 2018 has shown signs of improvement over the past few years. However, Apex faces the potential risk of rising inflation and will work hard to control risks and maintain operating stability.

### 3. Cash Flow

#### (1) Analysis of cash flow changes in the most recent year

Unit: NT\$ thousand; %

Item \ Year	2016	2017	Amount of Increase (Decrease)	Ratio of Increase (Decrease)
Operating Activities	721,241	921,018	199,777	27.70
Investment Activities	(860,461)	(764,634)	95,827	11.14
Fundraising Activities	13,163	(84,531)	(97,694)	(742.19)

Explanation for major changes of item:

(1) Operating Activities: The operating scale was expanded in year 2017, therefore, compared to the same period of last year, the net cash inflow from operating activities increased.

(2) Investment Activities: The late stage in the third phase of expansion of Apex's new plant is completed in the third quarter of 2017, therefore, compared to year 2016, the amount of purchases of real estate, plant and equipment of 2017 is decreased; resulting in a decrease in net cash outflow from investment activities for the year 2017 as compared with the same period of last year.

(3) Fundraising Activities: Mainly result from the increase in the short-term loan repayments in year 2017; resulting in net cash outflow from fundraising activities in year 2017.

(2) Liquidity shortage improvement plan: Apex Group's consolidated cash flow is still positive and the business condition is good; therefore, there is no liquidity shortage.

#### (3) Analysis of cash liquidity in the coming year

Unit: NT\$ thousand

Opening Cash Balance (1)	Net Cash Flow from Operating Activities in the Year (2)	Other Cash Inflows (Outflows) (including exchange influence) (3)	Cash Balance (Shortage) (1)+(2)-(3)	Remedial Measures for Cash Shortages	
				Investment Plan	Financial Plan
247,564	1,024,863	(1,044,359)	228,068	-	Issuance of convertible corporate bonds and bank loans

1. Analysis of changes in cash flow in the coming year:

(1) Net cash inflow from operating activities mainly comes from business income.

(2) The cash outflow is mainly caused by operating expenses, purchase of machinery and equipment and repayment of bank loans.

2. Remedy and liquidity analysis of estimated shortfall of cash:

Estimated cash outflows in the coming year of Apex are mainly resulted from future operating needs. In addition to cash inflows from operating activities, when the cash balance is insufficient, bank loans will be used and the third unsecured convertible corporate bonds of the company within Taiwan, ROC will be applied.



#### 4. Influence on financial operations from significant capital expenditure in most recent years

##### (1) Purposes of significant capital expenditure and sources of funds

Unit: NT\$ million

Plan Item	Sources of Funds	Completion Date	Year	
			2017	2018
Stage 2-2	Operating funds, 2014 fundraising and bank loans	2016 Q4	131	31
Stage 2-3	Operating funds, 2014 fundraising and bank loans	2017 Q3	530	182
Upgrade automatic equipment	Operating funds and bank loans	2018 Q2	145	200

##### (2) Expected effects

Expansion of new plants and additions and replacement of production equipment will increase the production capacity for 670,500 square meters in year 2017 and the output value will increase for NT\$1,269,918 thousands, and the effect is fair.

#### 5. Reinvestment conducted in the most recent years

Unit: NT\$ thousand

Item Description	Policy	Profit Amount Recognized	Main cause of profit gain or loss	Improvement Plan	Other Future Investment Plans
APT	Production and sales of PCB	96,395	Decent management and operating efficiency	None	None
AET	Supply chain consolidation	(1,410)	Exchange loss from the exchange rate of US Dollar to New Taiwan Dollar	Reduce of the risk of exchange rate by continuous attention to exchange rate movements	None
APC	Import and export of PCB	(10,813)	APEX has not yet been benefited from development orders.	In 2017 Q4, Apex decided to stop the operation of this subsidiary and started the cancellation process in 2017.	None

#### 6. Risks

##### (1) Influence of interest rate changes, exchange rate fluctuations and inflations on company gains and losses and future countermeasures:

###### 1. Influence of interest rate changes on company gains and losses in the most recent years and future countermeasures:

Apex's main interest income comes from bank deposit interests while the main interest expenses are bank loan interests. In 2017, Apex's interest income respectively accounted for 0.00% of Apex's annual operating revenue whereas the interest expenses respectively made up 1.00% of the operating revenues in those years. Such percentages are relatively low and interest rate changes therefore do not have any significant influence on the company.

There are designated personnel in Apex's financial department to keep a close watch on interest rate changes and adjust fund utilization at the right time to avoid financial risk resulted from interest rate changes.

###### 2. Influence of exchange rate fluctuations on company gains and losses in the most recent years and future countermeasures:

The payments Apex Group receives are mainly in Thai baht and US dollar. Purchases are paid for mainly in US dollar, the second one is in Thai baht, only a small portion is settled in Japanese yen, Euro and Singapore dollar. In 2017 the net exchange profit was NT\$ 125,286 thousands, accounting for 1.21% of the operating revenue. The concrete measures taken by Apex's internal financial specialists to cope with risk from exchange rate fluctuations include the following:

- The financial department keeps a close watch on changes in the exchange market, collect related information and assess future tendencies to make currency exchanges and also evaluate the status of forward exchange contracts and foreign exchange options.
- Purchases and expenses are paid as much as possible in the same currency used for related sales items to achieve natural hedging.

3. Influence of inflations on company gains and losses in the most recent years and future countermeasures:

Inflations have never had any significant influence on Apex's gains and losses in the past. If inflations cause purchase costs to increase, Apex will make appropriate adjustments to product prices. In addition, Apex also regularly or irregularly studies economic data and reports from governments and research institutions, reviews its policies and operations, and collects related information to serve as references for the management in decision making.

(2) Company policies for high-risk, high-leverage investment, loaning of funds to others, endorsement for others and engagement in derivative transactions, main causes of profit gains or losses, and future countermeasures:

1. Policy for high-risk, high-leverage investment, main causes of profit gains and losses and future countermeasures:

Apex focuses on managing its own line of business and does not engage in other any high-risk commercial activities. Plus, the company adopts the conservatism principle as part of its financial policy and makes no high-leverage investment. Therefore, risk is limited in this respect.

2. Policy for loaning funds to others, main causes of profit gains and losses and future countermeasures:

Apex did not loan funds to others in the most recent years and prior to the date of printing of the annual report.

3. Policy for endorsement for others, main causes of profit gains and losses and future countermeasures:

Besides its own subsidiaries, Apex did not make any endorsement for others in the most recent years and prior to the date of printing of the annual report and endorsement for the subsidiaries was conducted in compliance with Apex's internal procedures and related regulations.

4. Policy for engagement in derivative transactions, main causes of profit gains and losses and future countermeasures:

Apex and its subsidiaries have established each's own "derivative transaction procedures." They have been approved by the board of directors and the shareholders' meeting to serve as the basis for derivative transactions. Apex does not engage in derivative transactions. Its subsidiary APT has bought and sold forward exchange derivatives in the three most recent years. The derivative contracts remaining valid at the end of the year are as shown in the table below:

Unit: thousand dollars

Year	Derivative	Amount
End of 2017	Pre-purchased forward exchange contracts	Contract Amount USD 8,659

APT conducted transactions of forward exchange contracts and foreign exchange options in US dollar in the recent years and prior to the date of printing of the annual report. The counterparts were financial institutions within Thailand that are well known and have decent credit ratings. The transaction amounts were all presented to the chairperson or concerned units with the authority to give approval and transactions were carried out after they were ratified. Each month, Apex announced and filed the status of such derivative transactions according to regulations.

(3) Future R&D projects and funds to be invested

Apex hopes to improve the functions and characteristics of current products to increase their added value and strengthen the company's competitiveness through repeatedly innovated R&D capacity in response to market tendencies and product diversity. In the coming 2 years, Apex will continue to invest in capital expenditure and expense to enhance production processes and capacity to upgrade product yield rates as well as reduce scrap rates and production costs.

Apex's future R&D projects will focus on improving current technical capacity and responding to the tendencies in product and technology demand. Once market positioning and tendencies are ascertained, the priorities of the projects will be determined in accordance with their level of difficulty and timeliness. In 2018, the following R&D items and expenditure will be conducted:

Development Item	Mass Production Schedule	Main Item	Present Progress	Expected Expenditure
28-inch large-scale production process	2018 Q3	Accurate size (accurate 10% uniform etching) fine line capability	Planning and investigating	USD 3 million
High reliability automotive board drilling process	2018 Q1	High reliability drill (less than 150% of hole head)	Testing	USD 0.2 million

(4) Influence of important policy and law changes in and outside the country on company financial operations and countermeasures

Apex is registered in the Cayman Islands and operates mainly in Thailand. Provision of financial services is the principal economic activity of the Cayman Islands. Thailand is a major economy in Southeast Asia with open economic policies and no exchange control and its political and economic environments are rather stable today. The products developed and sold by Apex are applied in various electronic products. They are consumer products and Apex therefore does not belong to an industry that requires special permission or is restricted. Hence, Apex's financial operations are unlikely to be affected by important policy or law changes in the Cayman Islands or Thailand. Moreover, Apex conducts its operations in compliance with important policies and laws in and outside the country and also pays attention to the tendencies of important policies and law changes in and outside the country in order to take appropriate countermeasures in response to changes in the market and the environment.

(5) Influence of technological and industrial changes on company financial operations and countermeasures

Apex keeps track of changes in related technologies and market tendencies and assesses their influence on company management. In the most recent years and prior to the date of printing of the annual report, there were no important technological or industrial changes of significant influence on Apex's financial operations.

(6) Influence of change of corporate image on corporate crisis management and countermeasures

Apex Group became listed at Taipei Exchange (TPEX, formerly known as the GTSM) in the Republic of China on Oct. 18, 2011 and then changed its listing from the TPEX to the Taiwan Stock Exchange (TWSE) in the R.O.C. on September 8, 2015. Since it was founded, Apex has made continuous

efforts to reinforce its internal control and improve its quality control capacity to establish its brand image and increase customers' confidence in the company. In the most recent years and prior to the date of printing of the annual report, there was no important change of corporate image for Apex.

(7) Expected benefits from acquisition, likely risk and countermeasures

As of the date of printing of the annual report, Apex did not carry out any acquisition plan. If Apex conducts any acquisition plan in the future, it will cautiously assess whether such a plan can bring concrete benefits for the company to ensure shareholders' rights and interests are protected.

(8) Expected benefits from plant expansion, likely risk and countermeasures

To cope with increasing orders and sales, the new plants were constructed and, compared to year 2016, the production capacity increased 670,500 square meters in 2017. In view of the full and effective utilization of the existing production capacity, the annual expansion in production capacity in past years has been able to meet part of the growth orders. To increase the real return rate and reduce investment risks, the growth of the market is still based on the existing production capacity and equipment. Besides the replacement of old factories, the investment in new equipment will be based on necessity of the actual needs of the market and take the cautious evaluation.

(9) Likely risk from concentration of suppliers and sales and countermeasures

i. Risk from concentration of suppliers and countermeasures

Apex's main products are double side and multi-layer PCBs and the principal materials applied are copper clad laminates, prepreg and copper foil. Apex has cooperated with its main material suppliers for years and the relationships have been good. However, Apex maintains at least two suppliers for each main material to ensure stable supply. No material shortage and discontinuation of supply has ever taken place.

ii. Risk from concentration of sales and countermeasures

In the most recent years and prior to the date of printing of the annual report, no one single client has accounted for over 20% of Apex's annual sales. Besides the three top clients, the purchases from each client accounted for less than 10% of Apex's annual revenue. Therefore, there is no risk from concentration of sales.

(10) Influence on the company from large share transfers or conversions by directors, supervisors or major shareholders in possession of more than 10% of total company shares: None

(11) Influence of change of management rights on the company, likely risk and countermeasures:

There was no change of management rights in Apex Group in the most recent years and prior to the date of printing of the annual report; therefore this does not apply.

(11) Litigation or non-litigation events: None

(12) Other important risks and countermeasures: None

7. Other Important Matters: None

## VIII. Additional Information

### 1. Information on Affiliates

#### (1) The consolidated business report of affiliates

##### 1. Organization charts of affiliates

Organization charts of affiliates: See Section 1 organization Charts in Chapter III Corporate Governance Report.

##### 2. Name, date of establishment, address, paid-in capital and main business items of each affiliate Apr. 30, 2018

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business of Production Items
Apex Circuit (Thailand) Co., Ltd.	2001.9.27	39/234-236 Moo 2, Rama 2 Road, Tambol Bangkrachao, Amphur Muang, Samutsakhon 74000, Thailand	THB 1,438,000,000	Production and sales of PCBs
Approach Excellence Trading Ltd.	2010.11.25	Palm Grove House,P.O. Box438,Road Town,Tortola,British Virgin Islands	NT\$ 10,000,000	Import and export business
Apex Electronics (Shen Zhen) Co., Ltd.	2015.11.10	Room 201, Building A, No. 1, First Qianwan Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen City (Shenzhen Qianhai Commercial Secretary Co., Ltd Settled)	CNY 5,000,000	Import and sales of PCBs

##### 3. Controlling-subordinate relationships assumed according to Article 360-3 of the Company Act: None

##### 4. The industries covered by the business operated by the affiliates overall. Where connections exist among the business operated by individual affiliates, a description of the mutual dealings and division of work among such affiliates should be provided.

Name of Enterprise	Business Operations	Mutual Dealings and Division of Work
Apex Circuit (Thailand) Co., Ltd.	Main business operations include production, processing and sales of PCBs and production, processing and sales of multi-layer PCBs.	Not applicable
Approach Excellence Trading Ltd.	Main business operations include import and export business.	Procurement in Taiwan for Apex Group
Apex Electronics (Shen Zhen) Co., Ltd.	Main business operations include Printed circuit boards wholesaling · import and export business.	Development of Chinese domestic market

5. Names of directors and general manager of each affiliate and their shareholding or capital contribution

Apr. 30, 2018

Name of Enterprise	Title	Name or Representative	Shareholding	
			No. of Shares	Shareholding Ratio (%)
Apex Circuit (Thailand) Co., Ltd.	Chairman	Wang, Shu Mu	11	0.00
	Director and CEO	Chou, Jui Hsiang	0	0.00
	Director	Lan, Chai Chen	0	0.00
	Director	Maliwan Chinvorakijul	0	0.00
	Director	Greg Lucini	0	0.00
	Independent Director	Jesadavat Priebjivat	0	0.00
	Independent Director	Thong chai Nitithum	0	0.00
Approach Excellence Trading Ltd.	Chairman	Wang, Shu Mu	0	0.00
	Manager	Hus, Shou Hua	0	0.00
Apex Electronics (Shen Zhen) Co.,Ltd	Director	Li, Zhe	0	0.00
	Supervisor	Hus, Shou Hua	0	0.00
	General Manager	Lee, Shun Chung	0	0.00

6. Business status of affiliates

Dec. 31, 2017; thousands

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Gains (Losses)	Net Income or Loss for the Period (After-tax)	After-tax Earnings per Share (baht)
Apex Circuit (Thailand) Co., Ltd.	THB 1,438,000	THB 12,167,686	THB 5,955,900	THB 6,211,786	THB 11,601,459	THB 136,983	THB 107,934	THB 0.78
Approach Excellence Trading LTD.	NT\$ 10,000	NT\$ 79,552	NT\$ 70,334	NT\$ 9,218	NT\$ 186,141	NT\$ 3,633	NT\$ (1,188)	0
Apex Electronics (Shen Zhen) Co.,Ltd	RMB 5,000	RMB 148	RMB 146	RMB (294)	RMB 623	RMB (2,393)	RMB (2,407)	0

(2) The consolidated financial statement of affiliates

See Section 4 Consolidated Financial Statement in Chapter VI Financial Overview.

(3) Affiliation report: None

2. Non-public offering of securities in the most recent year and prior to the date of printing of the annual report: None

3. Company shares held or disposed of by subsidiaries in the most recent year and prior to the date of printing of the annual report: None

#### 4. Description of important differences between company practices and those set forth in domestic regulations on protection of shareholders' rights and interests

Apex has disclosed its company M&A within the range permitted by the law of the Cayman Islands and according to the regulations of Taiwan Stock Exchange and has also specified concretely the company's measures for protection of shareholders' rights and interests in according to the "Shareholders' Rights Protection Checklist for Foreign Issuers" amended in Oct. 2015 (hereinafter "Shareholders' Rights Protection Checklist"). Apex intends to amend the M&A at the regular shareholders' meeting of 2017 to include the latest requirements of Shareholders' Rights Protection Checklist for the protection of shareholders' rights and interests as amended in September 2017. However, due to the restrictions in the regulations of the Cayman Islands, Apex's handling of the following items is different from the approaches specified in the Shareholders' Rights Protection Checklist and the explanation is as follows:

##### (1) Establishment of resolutions by the shareholders' meeting

Besides the special (supermajority) resolutions described in the Company Act of the ROC, Apex has also adopted in Article 2 of its company charter the definition of "special resolution" set forth in the Company Law of the Cayman Islands as a resolution achieved with the approval of no less than two thirds of the attending shareholders (or a higher percentage if it is so specified in the company charter of an enterprise) in a meeting with the attendance of shareholders having the right to vote (in person or by proxy if allowed) complying with related regulations. Any resolution achieved without meeting the criteria for special resolutions set forth in Cayman Islands law will be regarded invalid. This difference exists because of the regulation in the Company Law of the Cayman Islands. However, Apex has specified respectively in Articles 3.9, 11.4, 11.5, 12, 32.1, 32.2 56.1 and 59 to 63 of its company M&A whether resolutions for matters described in the Shareholders' Rights Protection Checklist are to be considered "special (supermajority) resolutions" according to the Company Act of the ROC or "special resolutions" as defined in the Company Law of the Cayman Islands."

##### (2) Merger resolutions

According to the regulations in the Shareholders' Rights Protection Checklist, mergers concern the rights and interests of shareholders and have to be decided with "special (supermajority) resolutions." However, the Company Law of the Cayman Islands specifies that resolutions on mergers must be established in accordance with the Company Law of the Cayman Islands. The shareholders of the merging parties have to approve the merger plan through (A) achieving a special resolution as specified in the Company Law of the Cayman Islands and (B) meeting other authorization regulations (if available) set forth in the company charters of the merging parties. This is a compulsory regulation in the Company Law of the Cayman Islands and it is different from the regulation in the shareholders' Rights Protection Checklist that all merger decisions are to be achieved with "special (supermajority) resolutions."

Article 11.4 of Apex's company M&A stipulates that merger plans must be approved by the shareholders of the merging parties with resolutions established in accordance with approaches specified in the Company Law of the Cayman Islands.

##### (3) Convention of ad hoc shareholders' meetings by shareholders

According to the Company Law of the Cayman Islands, convention of ad hoc shareholders' meetings by shareholders does not need approval from the competent authority of the Cayman Islands and this is different from the regulation regarding "convention of ad hoc shareholders' meetings by shareholders" in Article 173 of the Company Act of the ROC. Article 14.5 of Apex's company M&A does not stipulate that shareholders need to acquire the permission of the competent authority before convening ad hoc meetings. It only specifies that the approval of Taiwan Stock Exchange is required if the location of an ad hoc meeting is outside the territory of the ROC. This is different from the regulation in the Shareholders' Rights Protection Checklist that "shareholders need to apply for the approval of Taiwan Stock Exchange within two days after obtaining the permission of the competent authority for convention of an ad hoc meeting."

#### (4) Supervisors

The Company Law of the Cayman Islands does not mention anything about the supervisor system and the related regulations in the ROC also do not specify that foreign companies need to have supervisors. Hence, Apex's company charter does not include any provisions regarding supervisors. However, according to Article 51A of Apex's company M&A, Apex is required to create an audit committee and Apex's independent directors are the committee members. The committee must be composed of no less than three members and one of them is the convener to be in charge of convention of meetings on an irregular basis. At least one of the members must specialize in accounting or finance. It is also stipulated that decisions made by the committee and proposals that require the approval of the committee must comply with the content of the Shareholders' Rights Protection Checklist.

#### (5) Preferred shares

Apex has not issued preferred shares. Therefore, there are no concrete regulations on the rights and obligations attached to preferred shares in the company M&A. It is set forth in Article 5.2 and 5.3 of the company charter that if the company issues preferred shares, the issuing conditions must include the rights, obligations and other matters that are different between preferred and common shares, such as the sequence for distribution of remaining company property and restrictions on shareholders' voting right, etc.

#### (6) Use and acquisition of powers of attorney

The regulation on proxy attendance in the Shareholders' Rights Protection Checklist is mainly based on Articles 5, 6, 6-1, 7, 8 (4) and 10 of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies. There is no regulation in the Company Law of the Cayman Islands with regard to use and acquisition of powers of attorneys but Apex, in order to comply with the regulations of the ROC, has include an all-inclusive regulation in Article 22 of the company M&A to request the shareholders' meeting, without violating the company charter, to use or acquire powers of attorney according to the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.

#### (7) Damages incurred from execution of duties by directors

The regulation on the handling procedure for damages incurred from execution of duties by directors in the Shareholders' Rights Protection Checklist is mainly based on Article 214 of the Company Act of the ROC that shareholders continuously holding 3% or more of the total number of the outstanding shares of a company for over one year may request the supervisors of the company in writing to file lawsuits for the company against the directors of the company. If the supervisors do not comply within 30 days, the shareholders may file such lawsuits for the company.

There is no regulation in the law of the Cayman Islands with regard to "supervisors." Apex has added in Article 44.3 of its company M&A: "Besides filing lawsuits on behalf of the company according to the law of the Cayman Islands, Apex's shareholders who have continuously held 3% or more of Apex's total number of the outstanding shares for over one year may, without violating the law of the Cayman Islands, file lawsuits for the company against the directors and use Taipei District Court as the court of competent jurisdiction. However, this article has no effect on the right of shareholders not holding 3% or more of the total outstanding shares of the company for over a year. According to the Common Law of the Cayman Islands, all minority shareholders, regardless of their shareholding ratios and duration, have the right to file lawsuits against the directors when related regulations are met. Once a shareholder files a lawsuit, a court in the Cayman Islands will decide whether the lawsuit may be continued. Hence, the regulation in the company charter has no effect (no intentional effect) on the right of minority shareholders to act according to the law of the Cayman Islands which authorizes them the right to file lawsuits against the directors.

#### 5. Other necessary supplementary explanations:

- (1) Apex doesn't have uncompleted commitment to requirement of listing.
- (2) Continuing education and training taken by directors and managers:



Continuing educations courses attended by Apex's directors and manage in 2017 are as follows:

Title	Name	Date of Continuing Education	Organizer	Course Title	Hours of Education	Education Meets Regulations or not
Chairman and Chief Strategy Officer	Wang, Shu Mu	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Director and Chief Executive Officer	Chou, Jui Hsiang	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Director and Executive Vice President	Lan, Chai Chen	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Director and Chief Procurement Officer	Cheng, Yung Yuan	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Director and Vice President	Shohara Masashi	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Director and Vice President	Somkiat Krajangjaeng	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Director and Chief Business Officer	Lee, Shun Chung	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Director and Vice President	Wu, Sen Tien	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Independent Director	Su, Chau Chin	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Independent Director	Jesadavat Priebjrivat	2017.06.15	Taiwan Corporate Governance Association	Practice Development of Inside-line Trading	3	Yes (Note 1)
				Competes for Company Management Power and Practice Cases	3	
Accounting managerial Personnel	Hsu, Shou Hua	2017.06.19	Accounting Research and Development Foundation	Analysis of Financial Tax Insurance Planning Concepts of Corporate High-level Managers (High Net Value)	3	Yes (Note 2)
		2017.06.22	Accounting Research and Development Foundation	Analysis on the Hot Issues of Crime of Money Laundering in International Finance and Discussion on Legal Liability	3	Yes (Note 2)

Title	Name	Date of Continuing Education	Organizer	Course Title	Hours of Education	Education Meets Regulations or not
		2017.08.10	Accounting Research and Development Foundation	Major Changes in Economic and Tax Policies in the Age of United States Trumps New Government and Taiwanese Business Solutions	3	Yes (Note 2)
		2017.12.01	Accounting Research and Development Foundation	Discussion on Legal Compliance Issues and Related Legal Responsibility of Mergers and Acquisitions	3	Yes (Note 2)
Internal Audit Managerial Personnel	Yang, Shin Wang	2017.08.21	Accounting Research and Development Foundation	Practice Seminar for Internal Auditor Reading Analysis of New IFRS Financial Report and Audit Report of New Financial Statement	6	Yes (Note 3)
		2017.11.20	Accounting Research and Development Foundation	How Auditors Effectively Achieve Operational Auditing and Compliance Checking Seminars	6	Yes (Note 3)

Note 1: This refers to whether it complies with the hours, range, system, arrangement and content of continuing education specified in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies

Note 2: This refers to whether it complies with the hours, range, system, arrangement and content of continuing education specified in the Regulations Governing the Qualification Requirements and Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.

Note 3: This refers to whether it complies with the hours, range, system, arrangement and content of continuing education specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies.

(3) The Company evaluates the independence of CPAs in 2017 are as follows :

■ 委任簽證會計師：趙敏如、陳雅琳

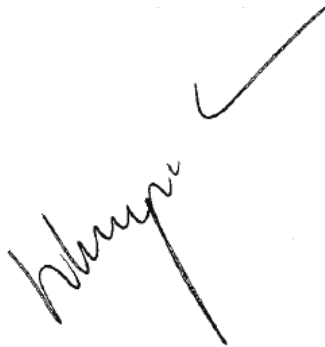
序號	獨立性評估項目	是	否
1	非為公司或其關係企業之受僱人。	V	
2	非公司或其關係企業之董事、監察人(但如為公司或其母公司、公司直接及間接持有表決權之股份超過百分之五十之子公司之獨立董事者，不在此限)。	V	
3	非本人及其配偶、未成年子女或以他人名義持有公司已發行股份總額百分之一以上或持股前十名之自然人股東。	V	
4	非前三款所列人員之配偶、二親等以內親屬或三親等以內直系血親親屬。	V	
5	非直接持有公司已發行股份總額百分之五以上法人股東之董事、監察人或受僱人，或持股前五名法人股東之董事、監察人或受僱人。	V	
6	非與公司有財務或業務往來之特定公司或機構之董事（理事）、監察人（監事）、經理人或持股百分之五以上股東。	V	
7	未與其他董事間具有配偶或二親等以內之親屬關係。	V	
8	未有公司法第 30 條各款情事之一。	V	
9	未有公司法第 27 條規定以政府、法人或其代表人當選。	V	
10	其他有效參考資訊：審計成員超然獨立聲明書	V	

■ 經評估後，委任簽證會計師皆未有以上獨立性評估項目所述情事，可確認簽證會計師符合獨立性，出具之財務報告之可信賴度無虞。

## IX. Matters with Significant Influence on Shareholders' Rights and Interest's or Securities Prices

Matters of critical influence on shareholders' rights and interests as described in Subparagraph 2 of Paragraph 2 of Article 36 of the Securities and Exchange Act in the most recent year and prior to the date of printing of the annual report: None

**APEX INTERNATIONAL CO., LTD.**

A handwritten signature in black ink, written diagonally. The signature appears to be 'Wang Shu Mu' in a cursive style, with a checkmark-like flourish at the end.

**Chairman Wang, Shu Mu**