



Apex International Co., Ltd.

2019 Annual Report (Translation)

(This English translation is prepared in accordance with the Chinese version and is for reference, if any inconsistency between the Chinese version and this translation, the Chinese version shall prevail.)

This annual report is accessible at: [http:// mops.twse.com.tw](http://mops.twse.com.tw)
Apex URL: <http://www.apex-intl.com.tw>

Spokesperson

Sen-Tien Wu / Chief Strategy officer

Tel: +886-2-2717 0032 samwu@apex-intl.com.tw

Deputy Spokesperson

Shou-Hua Hsu / Chief Financial Officer

Tel: +886-2-2717 0032 warrenhsu@apex-intl.com.tw

Deputy Spokesperson

Yun-Ru Wang / Vice Manager

Tel: +886-2-2717 0032 emmawang@apex-intl.com.tw

Head Office

Apex International Co., Ltd. ("API")

The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Rd., P.O. Box 32052,
Grand Cayman KY1-1208

Tel: +886-2-2717 0032

Taiwan Branch Office

Apex International Co., Ltd. Taiwan Branch

Rm.503, 5F., No.205, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)

Tel: +886-2-2717 0032

Headquarters and Thailand Office

Apex Circuit (Thailand) Co., Ltd. ("APT")

HEAD OFFICE (APEX 1)

39/234-236 Moo2, Rama 2 Rd., Bangkrachao, Amphur Muang, Samutsakhon 74000,
Thailand

Tel: +66-34-490 537~540

BRANCH OFFICE (APEX 2)

30/101, 102 Moo 1, Sinsakhon Industrial Estate Chetsadawithi Rd., Khok Kham, Muang,
Samutsakhon 74000, Thailand

Tel: +66-34-119 225

Subsidiary

Approach Excellence Trading Ltd. ("AET")

Palm Grove House, P.O. Box438, Road Town, Tortola, British Virgin Islands.

Tel: +886-2-2717 0032

Taiwan Branch:

1F., No.21, Ln. 1314, Chunri Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)

Tel: +886-3-316 9896

Registrar & Transfer Agent

ChinaTrust Commercial Bank Co., Ltd. Transfer Agency

5F., No. 83, Sec. 1, Chongqing South Rd., Zhongzheng Dist., Taipei City 100, Taiwan
(R.O.C.)

<https://www.ctbcbank.com>

Tel: +886-2-6636 5566

Auditing CPAs in the Most Recent Year

Min-Ju Chao & Ya-Lin Chen at KPMG Taiwan
 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
<http://www.kpmg.com.tw>
 Tel: +886-2-8101 6666

Overseas Stock Exchange : None

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

Board Members

Title	Name	Nationality	Experience
Chairman	Shu-Mu Wang	R.O.C.	Chairman, Apex International Co., Ltd. Chairman and Chief Strategy officer, Apex Circuit(Thailand) Co., Ltd. Chairman, Approach Excellence Trading Ltd.
Director	Jui-Hsiang Chou	R.O.C.	Director and General manager, Apex International Co., Ltd. Director and Chief Executive Officer, Apex Circuit (Thailand) Co., Ltd.
Director	Yung-Yuan Cheng,	R.O.C.	Director, Apex International Co., Ltd. Chief Operating Officer, Apex Circuit (Thailand) Co., Ltd. Chief Procurement Officer, Apex Circuit (Thailand) Co., Ltd.
Director	Shun-Chung Lee	R.O.C.	Director, Apex International Co., Ltd. Chief Brand Officer and Vice President, Apex Circuit (Thailand) Co., Ltd.
Director	Sen-Tien Wu	R.O.C.	Director, Apex International Co., Ltd. Chief Strategy Officer and Vice President, Apex International Co., Ltd. Director, Unity Opto Technology Co., Ltd.
Director	Somkiat Krajangjaeng	Thailand	Director, Apex International Co., Ltd. Vice President, Apex Circuit (Thailand) Co., Ltd.
Independent Director	Chau-Chin Su	R.O.C.	Independent Director, Apex International Co., Ltd. Professor, Electrical and Computer Engineering, National Chiao Tung University
Independent Director	Yung-Tsai Chen	R.O.C.	Independent Director, Apex International Co., Ltd. Director, Celxpert Energy Corporation
Independent Director	Jesadavat Priebjrivat	Thailand	Independent Director, Apex International Co., Ltd. Independent Director, Apex Circuit (Thailand) Co., Ltd. Chairman and Independent Director, Gratitude Infinite Public Co., Ltd. Independent Director, Seamico Securities Public Co., Ltd. Independent Director, Sansiri Public Co., Ltd.

Designated Agent in Taiwan

Shu-Mu Wang / Chairman
 Tel: +886-2-2717 0032
woodywang@apexcircuit.com

Table of Contents

1. Letter to Shareholders 1

2. Company Profile 5

- 2.1 Company Establishment Date and Profile 5
- 2.2 Group History 5
- 2.3 Group Structure 7
- 2.4 Risk Management 7

3. Corporate Governance Report 8

- 3.1 Organization 8
- 3.2 Information on Directors, General Managers, Vice General Managers, Assistant General Managers, and Heads of Departments and Branch Offices 11
- 3.3 Remuneration of Directors, General Managers and Vice general Managers in the Most Recent Year 17
- 3.4 Corporate Governance Status 22
- 3.5 CPA Fees 55
- 3.6 Information of Change of CPA 56
- 3.7 Company Chairman, General Managers, or Financial or Accounting Managers Serving in the Accounting Firm of the CPAs or its Affiliates 56
- 3.8 Share Transfers or Changes of Stock Pledges by Directors, Supervisors, Managers or Shareholders in Possession of Over 10% of Total Shares 56
- 3.9 The Top Ten Thareholders being Related Parties or Spouses or Relatives within the First Two Degrees as Stated in Statement 58
- 3.10 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 59

4. Fundraising Overview 60

- 4.1 Capital and Shares 60
- 4.2 Issuance of Bonds 67
- 4.3 Preferred Shares 69
- 4.4 Issuance of Global Depository Shares 69
- 4.5 Status of Employee Stock Option Plan 69
- 4.6 Status of Employee Restricted Stock 69
- 4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions 69
- 4.8 Financing Plans and Implementation 69

5. Business Overview 71

- 5.1 Contents of Business 71
- 5.2 Market, Production and Marketing Overview 76
- 5.3 Employee Profile 81
- 5.4 Environmental Protection Expenses 82
- 5.5 Labor-Management Relations 82
- 5.6 Important Contracts 84

6. Financial Overview 88

6.1 Five-Year Financial Summary 88

6.2 Five-Year Financial Analysis 90

6.3 Audit Committee Report in the Most Recent Year 93

6.4 The Financial Statement for the Most Recent Year 93

6.5 CPA-Audited/Certified Individual Financial Statements in the Most Recent Year 93

6.6 The Impact on Company Finance from Cash Flow Problems Encountered by the Company or any of its Affiliates 93

7. Review and Analysis of Financial Status and Performance and Risks 94

7.1 Financial Status 94

7.2 Financial Performance 94

7.3 Cash Flow 95

7.4 Influence on Financial Operations from Significant Capital Expenditure in the Most Recent Year 96

7.5 Reinvestment Conducted in the Most Recent Year 97

7.6 Risks 97

7.6 Other Important Matters 108

8. Additional Information 109

8.1 Information on Affiliates 109

8.2 Private Placement Securities 111

8.3 Company Shares Held or Disposed of by Subsidiaries 111

8.4 Description of Important Differences between Company Practices and those Set Forth in Domestic Regulations on Protection of Shareholders' Rights and Interests 111

8.5 Other Necessary Supplementary Explanations 114

8.6 Matters of Critical Influence on Shareholders' Rights and Interests as Described in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act 117

9. Appendix 118

2018 Financial Statements 118

1. Letter to Shareholders

Dear Shareholders,

The Senior Management Team is pleased to report the operating result of 2018 by this report. Apex had absorbed significant rise of cost of materials in 2017. Under such turbulence, Apex started to proceed improvements in order to decrease production cost then was able to face to challenges from the environment. During July of 2017 to June of 2018, Apex kept strengthening SOP of fundamental employees; build up costing control team to closely communicate with production line and to find room for improvement; improved purchase strategy on supplies; improved manufacturing process etc. which made operating performance quickly improved in 2018. It was made by the whole members of Apex.

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 of our stakeholders.

1.2018 Business Report

(1) Results of Business Plans Implemented

Amount unit: NT \$million	2018		2017		Change %
	Amount	% to sales	Amount	% to sales	
Total income	11,175	100%	10,395	100%	8%
Cost of goods sold	9,354	84%	9,311	90%	0%
Gross Profit	1,821	16%	1,084	10%	68%
Operating income	835	7%	91	1%	818%
Interest Expenses	103	1%	114	1%	-10%
Income before tax	841	8%	109	1%	672%
Net income	833	7%	78	1%	968%

Although Apex had completed expansion, we still keep improving manufacturing process in order to create more output which led us still have 8% growth of sales in 2018. As described in prior paragraph, improved production cost made gross margin and net profit be improved significantly in 2018.

(2) Budget Implementation

Actual sales amount in 2018 was NT\$ 11.2 billion which is 98.7% of budgeted number 11.3 billion. However the improvement of production cost was better than expectation that made achievement percentage of net profit after tax to be 180%.

(3) Financial Structure

Financial Ratio	2018	2017
Debt ratio (%)	50.50%	60.79%
Ratio of long-term capital to fixed assets (%)	109.76%	101.61%
Current ratio (%)	110.34%	100.51%
Receivables turnover ratio (time)	3.32	3.65
Inventory turnover ratio (time)	5.56	6.04
Return on assets ratio (%)	7.83%	1.53%
Return on equity ratio (%)	16.00%	1.86%
Earnings per share (NT dollar)	5.45	0.59

Because of improvements of production cost, improved profit led our convertible bonds gradually be converted. Therefore, in general, our financial structure, liability payback ability, operating ability and profitability were improved.

(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 2018 are as follows:

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

In 2019, Apex will carry out the following plans:

- IOT for drilling process
- Auto printing function for solder mask process and faster changing ability
- Lab for reliability ability

2.2019 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 will keep stabilizing factory operation and cost control by foreseeing possible sales price competition caused by potential recession of global economy. Meanwhile, Apex will work hard to maintain competitiveness and progressively develop new customers. Hence we expect that we may still have slight growth of sales amount and volume.

(3) Production and Marketing Policy

After the new plants started production, Apex's capacity maintained at level of 490 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 to improve 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 to investigate and analyze defect mode then provide corrective action in order to 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 existing order of LCD-TV/STB to the Home-Appliance
- (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, because of Apex' objective advantage of being located in Southeast Asia and China's increasingly disadvantageous policies for low-end PCB businesses, in addition, China and US are still struggling in the mud of trade war, Apex's competitive 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 2019, 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. Sales proportion of China and Hong Kong was around 20%.

By observing 2018, Apex successfully improved profit founded by her solid and long-term management culture. In 2019, 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 can still keep growing in such tough environment by our competitive ability and new orders.

Apex International Co., Ltd.

Chairman

Shu-Mu Wang

A handwritten signature in black ink, appearing to read 'Shu-Mu Wang', with a long horizontal flourish extending to the right.

2. Company Profile

2.1 Company Establishment Date and Profile

Apex was founded on October 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.

2.2 Group History

Year	Important Group and Company Events
2004	<ul style="list-style-type: none">● The subsidiary in Thailand increased its capital to 408 million bahts to expand its production capacity.● Passing QS-9000 certification.
2005	<ul style="list-style-type: none">● Passing ISO-14001 certification.● The subsidiary in Thailand increased its capital to 508 million bahts to purchase production equipment.● Plant B was constructed to increase the monthly production capacity to 100 thousand square meters.
2006	<ul style="list-style-type: none">● The capital was increased to 604 million bahts to finance the construction of Plant B.● A new management team was brought in for production and clientele expansion.● The Board of Investment of Thailand granted Plant B tax exemption for five years.● Passing ISO/TS-16949 certification.● Passing the Green Partner certification by Sony.
2007	<ul style="list-style-type: none">● Plant B started full production.● Apex joined the Institute for Supply Management to set a foot in Western markets.● Apex invested in Auto-Drilling Technology Co., Ltd. to supply its own drill presses.
2008	<ul style="list-style-type: none">● Plant C-1 was inaugurated in October.● The production capacity was raised to 145 thousand square meters in November.● New customers: Western Digital, Thompson, Samsung and Cannon.

Year	Important Group and Company Events
2009	<ul style="list-style-type: none"> ● Plant C-2 was inaugurated in December. ● Apex signed a sales and marketing agreement with KFE Japan Co., Ltd. to seek Japanese customers. ● Apex International Co., Ltd. was established as a financial holding group and plans were made for the company to become listed in Taiwan. ● New customer: Hitachi HDD.
2010	<ul style="list-style-type: none"> ● The investment in Auto-Drilling Technology Co., Ltd. was increased to boost drill press production capacity. ● The capital was increased to NT \$842 million to expand production capacity. ● 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. ● The Taiwan office was established. ● New customers: Panasonic and Pace
2011	<ul style="list-style-type: none"> ● 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. ● The inner layer production capacity was raised by a large margin to meet the demand for multi-layer boards. ● Apex made an investment to set up Approach Excellence Trading Ltd. a subsidiary, to be in charge of procurement in Taiwan for the group. ● Apex was listed in Taiwan on October 18. ● The Board of Investment of Thailand gave the approval for the five-year tax exemption for Plant B to extend to eight years. ● New customer: Toshiba HDD
2012	<ul style="list-style-type: none"> ● 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. ● 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. ● 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.
2013	<ul style="list-style-type: none"> ● The Q3 revenue achieved NT \$1.67 billion, a record high. ● APEX-II launched the trial first phase production in Q4 and was scheduled to begin production in Q1, 2014. ● Apex acquired new Japanese and Korean customers.
2014	<ul style="list-style-type: none"> ● APEX-II officially began the first phase production in Q1. ● The annual revenue reached another new high. ● Production of 8-layer boards started.
2015	<ul style="list-style-type: none"> ● APEX-II officially began the second phase production in Q2. ● The revenue reached a new high in the second quarter. ● APEX has been listed in TWSE on September 8.

Year	Important Group and Company Events
2016	<ul style="list-style-type: none"> ● Record high revenue of 9 billion bahts. ● APEX II officially began the third phase production in Q4. ● 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.
2017	<ul style="list-style-type: none"> ● APEX-II officially began the third phase production in Q3. ● Record high revenue of NT\$10 billion.
2018	<ul style="list-style-type: none"> ● Selected as Samsung VD member and become Samsung's Honorary Strategic Partner ● Record high revenue of NT\$11.175 billion

2.3 Group Structure

Please see 8.1.

2.4 Risk Management

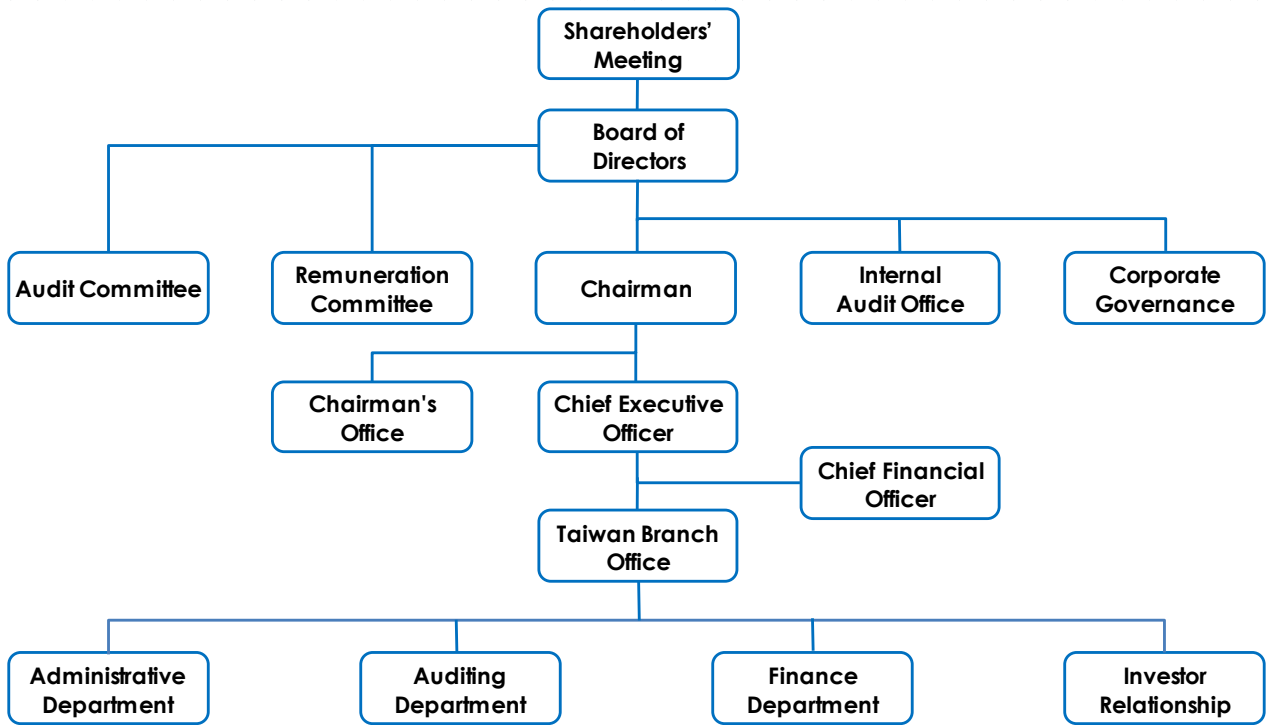
Please see 7.6.

3. Corporate Governance Report

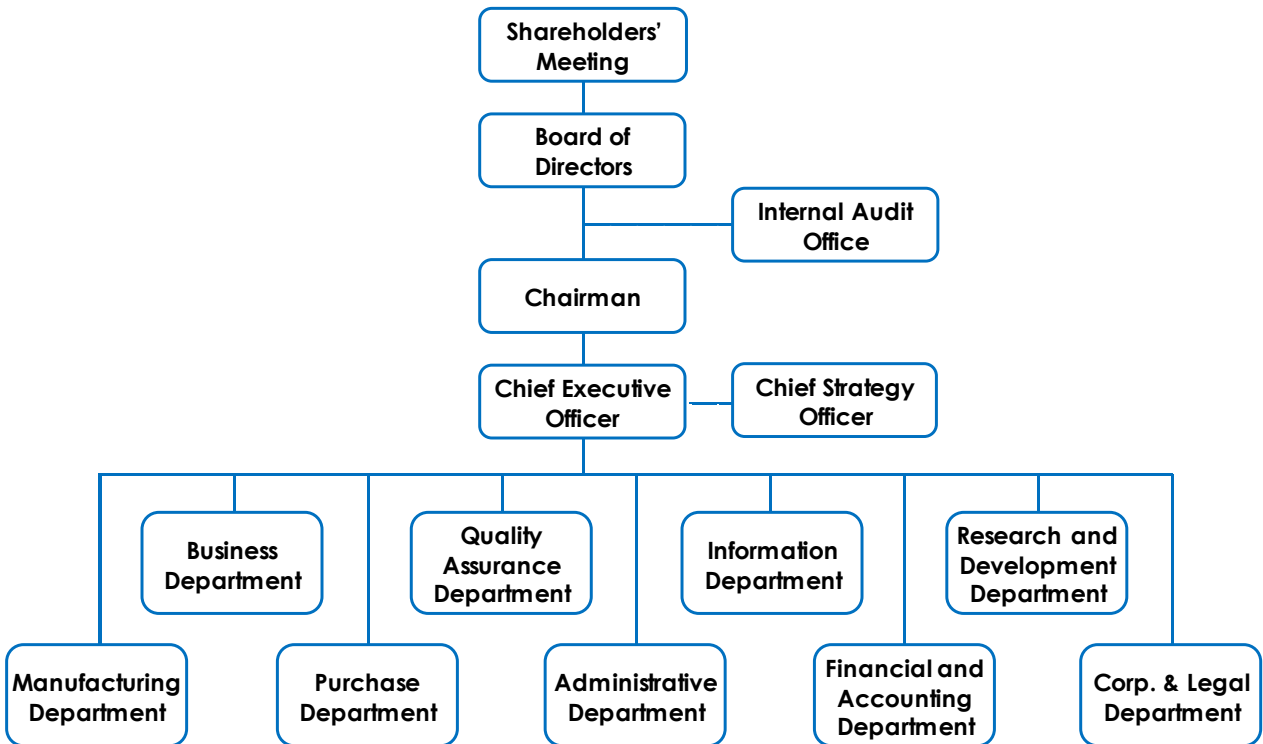
3.1 Organization

Organization Chart

■ Apex



■ APT



Department Functions

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

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

3.2 Information on Directors, General Managers, Vice General Managers, Assistant General Managers, and Heads of Departments and Branch Offices

3.2.1 Information Regarding Board Members

Apr. 7, 2019; unit: share; %

Title/Name	Nationality	Gender	Date Elected	Tenure (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	Other managers, directors and supervisors with a spouse and relative within the second degree of kinship Title/ Name/ Relation
						Shares	%	Shares	%	Shares	%	Shares	%			
Chairman Shu-Mu Wang	R.O.C.	Male	2016. 06.15	3	2009. 10.28	1,000,000	0.82	1,164,371	0.63	0	0.00	0	0.00	Dept. of Business Mathematics, SooChow University Chairman, Apex International Co., Ltd. Chairman and Chief Strategy officer, Apex Circuit(Thailand) Co., Ltd. Chairman and Chief Strategy officer, Apex Circuit(Thailand) Co., Ltd. Chairman, Approach Excellence Trading Ltd.	Chairman, Apex International Co., Ltd. Chairman and Chief Strategy officer, Apex Circuit(Thailand) Co., Ltd. Chairman, Approach Excellence Trading Ltd.	None
Director Jui-Hsiang Chou	R.O.C.	Male	2016. 06.15	3	2009. 12.17	458,216	0.37	833,427	0.45	0	0.00	0	0.00	Dept. of International Business and Trade, Aletheia University Director and General manager, Apex International Co., Ltd. Director and Chief Executive Officer, Apex Circuit (Thailand) Co., Ltd.	Director and General manager, Apex International Co., Ltd. Director and Chief Executive Officer, Apex Circuit (Thailand) Co., Ltd.	None
Director Yung-Yuan Cheng	R.O.C.	Male	2016. 06.15	3	2009. 12.17	334,464	0.27	645,166	0.35	0	0.00	0	0.00	Dept. of Applied Sciences Electronic Engineering, National Kaohsiung University Director, Apex International Co., Ltd. Chief Operating Officer, Apex Circuit (Thailand) Co., Ltd. Chief Procurement Officer, Apex Circuit (Thailand) Co., Ltd.	Director, Apex International Co., Ltd. Chief Operating Officer, Apex Circuit (Thailand) Co., Ltd.	None
Director Shun-Chung Lee	R.O.C.	Male	2016. 06.15	3	2016. 06.15	0	0.00	0	0.00	107,683	0.06	0	0.00	Dept. of Business Administration, National ChengChi University Director, Apex International	Director, Apex International Co., Ltd. Chief Brand Officer and Vice President,	None

Title/Name	Nationality	Gender	Date Elected	Tenure (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	Other managers, directors and supervisors with a spouse and relative within the second degree of kinship Title/ Name/ Relation
						Shares	%	Shares	%	Shares	%	Shares	%			
														Co., Ltd. Chief Brand Officer and Vice President, Apex Circuit (Thailand) Co., Ltd.	Apex Circuit (Thailand) Co., Ltd.	
Director Sen-Tien Wu	R.O.C.	Male	2016. 06.15	3	2016. 06.15	0	0.00	0	0.00	0	0.00	0	0.00	Dept. of Money and Banking, National ChengChi University Director, Apex International Co., Ltd. Chief Strategy Officer and Vice President, Apex International Co., Ltd. Director, Unity Opto Technology Co., Ltd.	Director, Apex International Co., Ltd. Chief Strategy Officer and Vice President, Apex International Co., Ltd. Director, Unity Opto Technology Co., Ltd.	None
Director Somkiat Krajangjaeng	Thailand	Male	2016. 06.15	3	2012. 06.27	0	0.00	0	0.00	0	0.00	0	0.00	Dept. of Mechanical Engineering, Siam University, Thailand Director, Apex International Co., Ltd. Vice President, Apex Circuit (Thailand) Co., Ltd.	Director, Apex International Co., Ltd. Vice President, Apex Circuit (Thailand) Co., Ltd.	None
Independent Director Chau-Chin Su	R.O.C.	Male	2016. 06.15	3	2016. 06.15	0	0.00	0	0.00	0	0.00	0	0.00	Doctor of Philosophy, University of Wisconsin-Madison, USA Independent Director, Apex International Co., Ltd. Professor, Electrical and Computer Engineering, National Chiao Tung University	Independent Director, Apex International Co., Ltd. Professor, Electrical and Computer Engineering, National Chiao Tung University	None
Independent Director Yung-Tsai Chen	R.O.C.	Male	2016. 06.15	3	2016. 06.15	35,000	0.03	40,744	0.02	0	0.00	0	0.00	Master of Business Management, Tatung University Independent Director, Apex International Co., Ltd. Director, Celxpert Energy Corporation	Independent Director, Apex International Co., Ltd. Director, Celxpert Energy Corporation	None
Independent Director Jesadavat Priebjivat	Thailand	Male	2016. 06.15	3	2010. 06.11	0	0.00	0	0.00	0	0.00	0	0.00	Master of Business Administration, New York University USA Master of Engineering	Independent Director, Apex International Co., Ltd. Independent	None

Title/Name	Nationality	Gender	Date Elected	Tenure (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	Other managers, directors and supervisors with a spouse and relative within the second degree of kinship
						Shares	%	Shares	%	Shares	%	Shares	%			Title/ Name/ Relation
														Administration, The George Washington University, USA Independent Director, Apex International Co., Ltd. Independent Director, Apex Circuit (Thailand) Co., Ltd. Chairman and Independent Director, Gratitude Infinite Public Co., Ltd. Independent Director, Seamico Securities Public Co., Ltd. Independent Director, Seamico Securities Public Co., Ltd. Independent Director, Sansiri Public Co., Ltd.	Director, Apex Circuit (Thailand) Co., Ltd. Chairman and Independent Director, Gratitude Infinite Public Co., Ltd. Independent Director, Seamico Securities Public Co., Ltd. Independent Director, Sansiri Public Co., Ltd.	

Main shareholders of juristic shareholders: Not suitable. (The company do not have juristic shareholders.)

Main shareholders of juristic shareholders being the main shareholders of the juristic persons: Not suitable. (The company do not have juristic shareholders.)

Directors'(including independent Directors) Professional Knowledge and Independent Information

Name	Criteria			Level of Independence (Note)										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
Shu-Mu Wang				√				√	√	√	√	√	√	√	None
Jui-Hsinag Chou				√			√	√	√	√	√	√	√	√	None
Yung-Yuan Cheng				√		√	√	√	√	√	√	√	√	√	None
Somkiat Krajangjaeng				√		√	√	√	√	√	√	√	√	√	None
Sen-Tien Wu				√		√	√	√	√	√	√	√	√	√	None
Shun-Chung Lee				√		√	√	√	√	√	√	√	√	√	None
Chau-Chin Su		√		√	√	√	√	√	√	√	√	√	√	√	None
Yung-Tsai Chen				√	√	√	√	√	√	√	√	√	√	√	None
Jesadavat Priebrivat				√	√	√	√	√	√	√	√	√	√	√	None

Note: 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.

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

Apr. 7, 2019; unit: share; %

Title/ Name	Nationality	Gender	On-board date (Note 1)	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 CSO Shu-Mu Wang	R.O.C.	Male	2002.06.01	1,164,371	0.63	0	0.00	0	0.00	SooChow University Business Mathematics Department Apex International Co., Ltd. Chairman Apex Circuit(Thailand) Co., Ltd. Chairman and Chief Strategy officer Approach Excellence Trading Ltd. Chairman	Apex Circuit(Thailand) Co., Ltd. Chairman Approach Excellence Trading Ltd. Chairman	None
General manager & APT CEO Jui-Hsiang Chou	R.O.C.	Male	2006.05.02	833,427	0.45	0	0.00	0	0.00	Aletheia University International Business and Trade Department Apex International Co., Ltd. Director and General manager Apex Circuit (Thailand) Co., Ltd. Director and CEO	Apex Circuit (Thailand) Co., Ltd. Director	None
APT Chief Operation Officer Yung-Yuan Cheng (Note 2)	R.O.C.	Male	2007.05.21	645,166	0.35	0	0.00	0	0.00	National Kaohsiung University of Applied Sciences Electronic Engineering Department Apex International Co., Ltd. Director Apex Circuit (Thailand) Co., Ltd. COO Apex Circuit (Thailand) Co., Ltd. CPO	None	None
APT Chief Business Officer & Vice President Shun-Chung Lee	R.O.C.	Male	2013.09.23	0	0.00	107,683	0.06	0	0.00	National ChengChi University Department of Business Administration Apex International Co., Ltd. Director Apex Circuit (Thailand) Co., Ltd. CBO and Vice President	None	None
Chief Strategy Officer & Vice President Sen-Tien Wu	R.O.C.	Male	2013.08.01	0	0.00	0	0.00	0	0.00	National ChengChi University Department of Money and Banking Apex International Co., Ltd. Director Apex International Co., Ltd. Chief Strategy officer and Vice President Unity Opto Technology Co., Ltd. Director	Unity Opto Technology Co., Ltd. Director	None
APT Chief Technology Officer Tu-Chuan Chen	R.O.C.	Male	2012.04.30	300,000	0.16	0	0.00	0	0.00	National Changhua University of Education Industrial Education Department Apex International Co., Ltd. Chief Technology Officer	None	None

Title/ Name	Nationality	Gender	On-board date (Note 1)	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
Chief Finance Officer & Chief Accounting Officer Shou-Hua Hsu	R.O.C.	Male	2012.08.01	0	0.00	0	0.00	0	0.00	Department of Public Finance, National Chengchi University Graduate Institute of Public Finance, National Chengchi University Assistant Manager, Deloitte Taiwan	None	None
APT Vice President Somkiat Krajangjaeng	Thailand	Male	2003.10.01	0	0.00	0	0.00	0	0.00	Siam University Mechanical Engineering Department, Thailand Apex International Co., Ltd. Director Apex Circuit (Thailand) Co., Ltd. Vice President	None	None
APT Acting Chief Operating Officer Chao-Ting Lin	R.O.C.	Male	2019.02.13	0	0.00	0	0.00	0	0.00	Dept. of Chemistry, Master of Science, National Tsing Hua University Deputy Plant Director of Pingchen plant, Tripod Technology Corporation Senior Manager, Apex Circuit (Thailand) Co., Ltd. Assist Manager, Manager, Deputy Plant Director of Pingchen plant, Tripod Technology Corporation	None	None
APT Vice President Narumol Prapaitrakul	Thailand	Female	2010.06.01	0	0.00	0	0.00	0	0.00	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
APT Vice President Sommai Phuengmi	Thailand	Male	2002.06.01	0	0.00	0	0.00	0	0.00	Department of Electrical Engineering, Southeast Asia University, Thailand Manufacturing Manager, Shye Feng Enterprise(Thailand) Co., Ltd	None	None
Assistant General Manager & APT Chief Procurement Officer Hsin-Wang Yang (Note 2)	R.O.C.	Male	2010.02.01	0	0.00	0	0.00	0	0.00	Department of Land Economics, National Chengchi University Revenue Officer, National Taxation Bureau of Taipei, Ministry of Finance Apex International Co., Ltd. Audit Managerial Personnel	None	None

Note 1: On-board date means the official date joining APEX

Note 2: Position of this staff was changed from CPO into COO on December 18, 2018 due to the subsidiary of the company (APT) made an internal organization adjustment.

Note 3: Position of this staff was changed from internal auditor of API into CPO of APT on December 18, 2018 due to the subsidiary of the company (APT) made an internal organization adjustment.

3.3 Remuneration of Directors, General Managers and Vice general Managers in the Most Recent Year

3.3.1 Remuneration of directors (including independent directors)

Unit: NT\$ thousand; share; %

Title/Name	Remuneration								Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from Non-consolidated Affiliates
	Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
	APEX	All Consolidated Entities	APEX	All Consolidated Entities	APEX	All Consolidated Entities	APEX	All Consolidated Entities	APEX	All Consolidated Entities	APEX	All Consolidated Entities	APEX	All Consolidated Entities	APEX	All Consolidated Entities	APEX Consolidated Entities		APEX	All Consolidated Entities	
																	Cash	Stock			
Chairman Shu-Mu Wang																					
Director Jui-Hsiang Chou																					
Director (Note 1) Chai-Chen Lan																					
Director Yung-Yuan Cheng																					
Director (Note 2) Shohara Masashi																					
Director Somkiat Krajangjaeng	1,656	2,216	0	0	720	720	0	0	0.29	0.35	2,619	17,818	0	0	0	0	0	0	0.60	2.50	None
Director Sen-Tien Wu																					
Director Shun-Chung Lee																					
Independent Director Chau-Chin Su																					
Independent Director Yung-Tsai Chen																					
Independent Director Jesadavat Priebjivat																					

*Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) to APEX and all consolidated entities in the 2018 financial statements: None

Note 1: Mr. Chai-Chen Lan resigned as a director of API on December 31, 2018.

Note 2: Mr. Shohara Masashi resigned as a director of API on May 31, 2018.

Remuneration Table

Remuneration for Directors of Apex and All Consolidated Entities	Names of Directors			
	Total of A+B+C+D		Total of A+B+C+D+E+F+G	
	Apex	All Consolidated Entities	Apex	All Consolidated Entities
Under NT\$ 2,000,000	Shu-Mu Wang, Jui-Hsiang Chou, Chai-Chen Lan, Yung-Yuan Cheng, Shohara Masashi, Somkiat Krajangjaeng, Sen-Tien Wu, Shun-Chung Lee, Chau-Chin Su, Yung-Tsai Chen, Jesadavat Priebjrivat,	Shu-Mu Wang, Jui-Hsiang Chou, Chai-Chen Lan, Yung-Yuan Cheng, Shohara Masashi, Somkiat Krajangjaeng, Sen-Tien Wu, Shun-Chung Lee, Chau-Chin Su, Yung-Tsai Chen, Jesadavat Priebjrivat,	Shu-Mu Wang, Jui-Hsiang Chou, Chai-Chen Lan, Yung-Yuan Cheng, Shohara Masashi, Somkiat Krajangjaeng, Shun-Chung Lee, Chau-Chin Su, Yung-Tsai Chen, Jesadavat Priebjrivat,	Shu-Mu Wang, Shohara Masashi, Somkiat Krajangjaeng, Shun-Chung Lee, Chau-Chin Su, Yung-Tsai Chen, Jesadavat Priebjrivat,
NT\$2,000,000(incl.) ~ NT\$5,000,000(excl.)	-	-	Sen-Tien Wu	Jui-Hsiang Chou, Yung-Yuan Cheng, Chai-Chen Lan, Sen-Tien Wu
NT\$5,000,000(incl.) ~ NT\$10,000,000(excl.)	-	-	-	-
NT\$10,000,000(incl.) ~ NT\$15,000,000(excl.)	-	-	-	-
NT\$15,000,000(incl.) ~ NT\$30,000,000(excl.)	-	-	-	-
NT\$30,000,000(incl.) ~ NT\$50,000,000(excl.)	-	-	-	-
NT\$50,000,000(incl.) ~ NT\$100,000,000(excl.)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	11	11	11	11

3.3.2 Remuneratin of 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 (%)		Compensati on Paid to Directors from Non-consolid ated Affiliates
	Apex	All Consolidated Entities	Apex	All Consolidated Entities	Apex	All Consolidated Entities	Apex		All Consolidated Entities		Apex	All Consolidated Entities	
							Cash	Stock	Cash	Stock			
Chairman & APT CSO Shu-Mu Wang	4,550	22,098	0	0	715	7,645	0	0	0	0	0.63	3.59	None
General manager & APT CEO Jui-Hsiang Chou													
Chief Finance Officer & Chief Accounting Officer Shou-Hua Hsu													
Chief Strategy Officer & Vice President Sen-Tien Wu													
APT Chief Operation Officer Yung-Yuan Cheng													
APT Executive Vice President Chia-Chen Lan (Note 1)													
APT Chief Business Officer Shun-Chung Lee													
APT Chief Technology Officer Tu-Chuan Chen													
Assistant General Manager & APT Chief Procurement Officer Hsin-Wang Yang (Note 2)													
Vice President Somkiat Krajangjaeng													
Vice President Somma Phuengmi													
Vice President Shohara Masashi (Note 3)													
Vice President Narumol Prapaitrakul													

Note 1: Mr. Chai-Chen Lan resigned as a director of API on December 31, 2018.

Note 2: Mr. Hsin-Wang Yang was promoted on December 18, 2018.

Note 3: Mr. Shohara Masashi resigned as a director of API on May 31, 2018.

Remuneration Table

Remuneration for General Managers and Vice General Managers of Apex and All Consolidated Entities	Names of General Managers and Vice General managers	
	Apex	Consolidated Entities
Under NT\$ 2,000,000	Shu-Mu Wang, Jui-Hsiang Chou, Chai-Chen Lan, Yung-Yuan Cheng, Du-Chuan Chen, Shun-Chung Lee, Shou-Hua Hsu, Hsin-Wang Yang, Narumol Prapaitraku, Somkiat Krajangjaeng, Shohara Masashi, Sommai Phuengmi	Shu-Mu Wang, Shun-Chung Lee, Hsin-Wang Yang, Somkiat Krajangjaeng, Shohara Masashi, Sommai Phuengmi
NT\$2,000,000(incl.) ~ NT\$5,000,000(excl.)	Sen-Tien Wu	Jui-Hsiang Chou, Chai-Chen Lan, Yung-Yuan Cheng, Du-Chuan Chen, Shou-Hua Hsu, Sen-Tien Wu, Narumol Prapaitraku
NT\$5,000,000(incl.) ~ NT\$10,000,000(excl.)	-	-
NT\$10,000,000(incl.) ~ NT\$15,000,000(excl.)	-	-
NT\$15,000,000(incl.) ~ NT\$30,000,000(excl.)	-	-
NT\$30,000,000(incl.) ~ NT\$50,000,000(excl.)	-	-
NT\$50,000,000(incl.) ~ NT\$100,000,000(excl.)	-	-
Over NT\$100,000,000	-	-
Total	13	13

3.3.3 Names of managers receiving employee bonuses and amounts: This does not happen in Apex.

3.3.4 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
2018	7,641	32,678	0.92	3.94
2017	4,875	28,101	6.21	35.82

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.

3.4 Corporate Governance Status

3.4.1 Board of Directors

7 Board meetings were held in 2018. The attendance record of the each Director is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance	Remark
Chairman	Shu-Mu Wang	7	0	100.0%	
Director	Jui-Hsiang Chou	7	0	100.0%	
Director	Chai-Chen Lan	5	2	71.4%	Resigned on 2018.12.31
Director	Yung-Yuan Cheng	5	2	71.4%	
Director	Shohara Masashi	1	2	33.3%	Resigned on 2018.05.31
Director	Shun-Chung Lee	7	0	100.0%	
Director	Sen-Tien Wu	7	0	100.0%	
Director	Somkiat Krajangjaeng	7	0	100.0%	
Independent Director	Chau-Chin Su	7	0	100.0%	
Independent Director	Yung-Tsai Chen	7	0	100.0%	
Independent Director	Jesadavat Priebjivat	7	0	100.0%	

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 :

Meeting Date (Sessions)	Resolution	All independent directors' opinions and the company's response
2018.03.01 (the 13 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● 2018 CPA-audited and certified financial report and audit fee process by KPMG. ● To issue 2017 annual Internal control system statement. ● The CPA special audit report on the company internal control system of year 2017. ● Subsidiary APT granting bonus to Directors. ● 2018 remuneration of Director of subsidiary AET. ● The plan of the offer and issue of the third unsecured convertible corporate bonds of the company within Taiwan, ROC. ● Granting bonus to Independent Directors 	All attendees of Independent Directors have no objection
2018.03.27 (the 14 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The application of credit line and open account with KGI Commercial Bank. ● The application of credit line and open account with Cathay United Bank. 	All attendees of Independent Directors have no objection
2018.06.15 (the 16 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The application of credit line with Taishin International Bank. ● The application of credit line with Taichung Commercial Bank. ● The application of credit line and open account with Mega International Commercial Bank. 	All attendees of Independent Directors have no objection
2018.08.07 (the 17 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● To ratify the opened account in the KGI Bank, Offshore Banking Unit. ● The application of credit line with Taishin International Bank. 	All attendees of Independent Directors have no objection
2018.11.07 (the 18 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● To approve that the Company endorses and guarantees for subsidiary APT. (KBank) ● To approve that the Company endorses and guarantees for subsidiary APT. (TMB Bank) 	All attendees of Independent Directors have no objection
2018.12.18 (the 19 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The alternation of Internal Audit Officer. ● The result of Group managerial officers performance evaluation in 2018 as well as the annual bonus plan. ● The remuneration of Group directors (including independent directors) in year 2019. 	All attendees of Independent Directors have no objection

(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:

Meeting Date (Sessions)	Resolution	The contents of the motion	The reasons for the avoidance of benefits and the circumstances of the voting
2018.03.01 (the 13 th Meeting of Fourth Session)	● Subsidiary APT granting bonus to Directors.	Jesadavat Priebjrivat	Director recused himself from the discussion and voting
2018.03.01 (the 13 th Meeting of Fourth Session)	● 2018 remuneration of Director of subsidiary AET.	Shu-Mu Wang	Director recused himself from the discussion and voting
2018.03.01 (the 13 th Meeting of Fourth Session)	● Granting bonus to Independent Directors.	Chau-Chin Su Yung-Tsai Chen Jesadavat Priebjrivat	Director recused himself from the discussion and voting
2018.12.18 (the 19 th Meeting of Fourth Session)	● The result of Group managerial officers performance evaluation in 2018 as well as the annual bonus plan.	Shu-Mu Wang Jui-Hsiang Chou Chia-Chen Lan Yung-Yuan Cheng Sen-Tien Wu Shun-Chung Lee Somkiat Krajangjaeng	Director recused himself from the discussion and voting
2018.12.18 (the 19 th Meeting of Fourth Session)	● The remuneration of Group directors (including independent directors) in year 2019.	Chau-Chin Su Yung-Tsai Chen Jesadavat Priebjrivat	Director recused himself from the discussion and voting

3. Assessment of the objectives and execution of board of director function enhancement in (1) the current year and recent years:

The company has already established the Audit Committee and the Remuneration Committee. The list of relevant personnel and the state of operation, please refer to the state of operations of the Audit Committee and the state of operations of the Remuneration Committee

(2) Attendance of Board of Directors of independent directors in 2018:

▲: Attend in person △: Attend by Proxy

Meeting Date Name	2018. 03.01	2018. 03.27	2018. 05.09	2018. 06.15	2018. 08.07	2018. 11.07	2018. 12.18
Chau-Chin Su	▲	▲	▲	▲	▲	▲	▲
Yung-Tsai Chen	▲	▲	▲	▲	▲	▲	▲
Jesadavat Priebjrivat	▲	▲	▲	▲	▲	▲	▲

3.4.2 The state of operations of the 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 2018 (A). The attendance of the independent directors is as shown in the chart below:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance	Remark
Independent Director	Chau-Chin Su	7	0	100%	Took office on 2016.06.15
Independent Director	Yung-Tsai Chen	7	0	100%	Took office on 2016.06.15
Independent Director	Jesadavat Priebjivat	7	0	100%	Took office on 2016.06.15

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
2018.03.01 (the 12 th Meeting of Third Session)	1.2018 CPA-audited and certified financial report and audit fee process by KPMG. 2.2017annual operation report and consolidated financial statement. 3.2017 annual internet control system statement. 4.The CPA special audit report on the company internal control system of year 2017. 5.2017 annual distribution of earning of Company. 6.The plan of the offer and issue of the third unsecured convertible corporate bonds of the company within Taiwan, R.O.C. 7.Granting bonus to Independent Directors.	The proposal be and hereby were accepted as proposed unanimously by all independent directors

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
2018.03.27 (the 13 th Meeting of Third Session)	1.The application of credit line and open account with KGI Commercial Bank. 2.The application of credit line and open account with Cathay United Bank.	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2018.05.09 (the 14 th Meeting of Third Session)	1.The company's Q1 2018 Consolidated Financial Statements.	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2018.06.15 (the 15 th Meeting of Third Session)	1.The application of credit line with Taishin International Bank. 2.The application of credit line with Taichung Commercial Bank. 3.The application of credit line and open account with Mega International Commercial Bank.	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2018.08.07 (the 16 th Meeting of Third Session)	1.The company's Q2 2018 Consolidated Financial Statements. 2.The application of credit line with Taishin International Bank.	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2018.11.07 (the 17 th Meeting of Third Session)	1.The company's Q3 2018 Consolidated Financial Statements. 2.The Company endorses and guarantees for subsidiary APT. (KBank) 3.The Company endorses and guarantees for subsidiary APT. (TMB Bank)	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2018.12.18 (the 18 th Meeting of Third Session)	1.The Company's 2019 Annual Operating Plan and Budget. 2.The Company's 2019 Annual Audit Plan. 3.The alternation of Internal Audit Officer.	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)	The contents of the motion	Director Name	Causes for avoidance and voting
2018.03.01 (12 th Meeting of Third Session)	Granting bonus to Independent Directors.	Chau-Chin Su Yung-Tsai Chen Jesadavat Priebjrivat	Director recused himself 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.

3.4.3 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. Does the company establish and disclose its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	v		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?	v		(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?	v		(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?	v		(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	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 established internal regulations to prohibit its personnel from taking advantage of undisclosed information to trade securities?	v		procedures. (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 diversified policies according to its member composition and enforced such policies?	v		(1) The composition of the board of directors is 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. 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. 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.	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	
(2) Besides creating the Remuneration Committee and the Audit Committee, will the company voluntarily set up committees of other functions?	v		<p>All directors of fourth session possess knowledge of the industry and international market perspective. Directors Shu-Mu Wang, Jui-Hsiang Chou, Yung-Yuan Cheng, Somkiat Krachangjang and Shun-Chung Lee possess abilities to make operational judgments and conduct management administration and risk management knowledge and skills and Leadership. Directors Sen-Tien Wu, Yung-Tsai Chen, and Jesadavat Priebjrvat possess abilities to perform accounting and financial analysis.</p> <p>(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.</p>	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?	v		<p>(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.</p>	No particular difference
(4) Does the company evaluate the independence of CPAs on a regular basis?	v		<p>(4) The Company evaluates the independence of CPAs annually, ensuring that they are not stakeholders such as a Board member,</p>	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	
			supervisor, shareholder or person paid by the Company. 2018 Assessment of performance and independence of certified public accountant had been approved by Audit Committee and Board of Directors on March 01, 2018. Please see 8.5.3 "To review the independence of the CPA periodically and the items of evaluation".	
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)?	v		APEX has set up a Corporate Governance Team and has resolved to designate Chief Strategy Officer to be the Chief of Corporate Governance Team by the board of directors on May 4, 2016. Chief Strategy Officer has a lot of management experience in finance for public companies over three years. The Chief of the Corporate Governance Team conducts regular training every year. For the 2018 year of training, please refer to 8.5.2 "Continuing education and training of directors and management in 2018". The Corporate Government Team under BOD meeting 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

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	
5. Has the company established channels for communicating with stakeholders, (including but not limited to shareholders, employees, customers and suppliers), set up a Stakeholders Section on the company website, and properly respond to important corporate social responsibility issues with which stakeholders are concerned?	v		(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?	v		Apex has commissioned a professional shareholder services agent to handle the affairs of the shareholders' meeting.	No particular difference
7. Information Disclosure: (1) Has the company set up a website to disclose its financial operation and corporate governance information? (2) Has the company adopted other approaches to 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.)?	v v		(1) Apex has set up a company website to disclose information about various financial operations and corporate governance. (2) Apex already set up English website. Questions in 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.	No particular difference No particular difference
8. Can the company provide other important	v		(1) Employee Rights and interests and employee	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	
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.) ?			<p>care:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>D. Recruiting blind people come to factory to provide massage service for Apex employee</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>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 has complied with the Article 13 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" to designate personnel dedicated to handling shareholder proposals, inquiries, and disputes. Apex also set up a Chinese and English websites to provide stakeholders an easy access to information. According to the Corporate Governance Principles provided by the competent authority, the company's website needs to disclose information as follows (APEX has already disclosed):</p> <p>A. Disclose information such as the Article of the Company and corporate governance.</p> <p>B. Relevant information of the shareholders' meeting (including at least the latest annual report of annual general meeting, notice of meeting, Annual General Meeting Meeting Handbook and Annual General Meeting Minutes).</p> <p>C. Disclose the company profile, including at least the company's history, the products or services provided, the organization, and the</p>	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>management team.</p> <p>D. Information of major shareholders (including the shareholder's or shareholding ratio of more than 5% of the shareholder's share of the top ten shareholder name, shareholding amount and proportion).</p> <p>In addition, the company's website needs to set up a stakeholders section (which APEX has already set up) to understand and respond to important corporate social responsibility issues of concern to stakeholders.</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 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>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	
			<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 2019 was US \$5 million.</p> <p>(9) Acquisition of required certificates by personnel associated with financial information transparency: Two certified public accountant in Thailand.</p>	<p>No particular difference</p> <p>No particular difference</p> <p>No particular difference</p> <p>No particular difference</p>
9. Please describe the improvement action of TWSE corporate government evaluation result	v		According to the categories and requirements of the Corporate Governance Evaluation held by	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	
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).			<p>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.</p> <p>Apex has continued to handle relevant matters and measures in accordance with the internal corporate governance code regarding the results of corporate governance evaluation.</p>	

3.4.4 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	Criteria			Level of Independence (Note)								Number of Other Listed Companies where Remuneration Committee Memberships Are Concurrently Held	Remark	
		5 Years of Work Experience and the Following Professional 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 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	Chau-Chin Su	V		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	Yang-Tzong Tsay	V	V	V	V	V	V	V	V	V	V	V	V	4	-

Note:

- (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 state of operations of the Remuneration Committee.

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 2018 and the attendance of the committee members is as shown in the chart below:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance	Remark
Chairman	Chau-Chin Su	2	0	100%	
Member	Jesadavat Priebjivat	2	0	100%	
Member	Yang-Tzong Tsay	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.
3. Resolutions of the Remuneration Committee and the Company's response to the Remuneration Committee's opinion

Dates of the meetings (Sessions)	The contents of the motion	Resolutions of the Remuneration Committee and the Company's response to the Remuneration Committee's opinion
2018.03.01 (the 5 th Meeting of Third Session)	1.2017 annual compensation distribution of directors and supervisors of Company. 2.Subsidiary APT granting bonus to Directors. 3.2018 compensation of Director of subsidiary AET. 4.Granting bonus to Independent Directors.	The proposal be and hereby were accepted as proposed unanimously by all Remuneration Committee Members
2018.12.18 (the 6 th Meeting of Third Session)	1.To review remuneration payment to Group directors and managerial officers in year 2018. 2.The result of managerial officers performance evaluation in 2018 as well as the annual bonus plan. 3.To review the remuneration of Group directors (including independent directors) in year 2019. 4.To review the remuneration policy and performance evaluation system toward management officers. 5.The working plan of the Remuneration Committee in year 2019.	The proposal be and hereby were accepted as proposed unanimously by all Remuneration Committee Members

3.4.5 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 meeting regularly.	No particular difference
(2) Does the company conduct social responsibility training on a regular basis?	v		(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 a dedicated CSR organization who was authorized by Board of Directors for senior management, and report the executive situation to the Board of Directors?	v		(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 integrate the employee performance evaluation system with the corporate social responsibility policy and set up a well-defined and effective reward and punishment system?	v		(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

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. 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?	v		(1) In order to achieve effective use of resources, APT factory has carried out recycling program for the city water and process Waste with sub contractor. The results of the year 2018 are as follows: A. Waste Chemical: Collect copper from waste chemical total 267 ton and 100% recycle Spent AL Etching chemical, total 10,092 ton in 2018. 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 2019.	No particular difference
(2) Has the company established an appropriate environmental management system in accordance with its industrial characteristics?	v		(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

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	
(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?	v		(3) The results of the year 2018 are as follows: 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 2018. B. Apex co-work with Thai consultant to investigate GHG inventory of two factories in Thailand. It may be completed and disclose to public in the Corporate Social Responsibility Report of Apex of year 2018. C. Apex process 13 energy saving project and saved 11,000,000kWh, i.e., reducing 6,748 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?	v		(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; D. Human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status;	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?	v		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?	v		(3) A. The Company obtained the certificate o ISO 14001 and OHSAS 18001. B. Safety consultant directly report to CEO. C. Invite Chubb Samaggi Insurance Public Company Limited 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?	v		(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?	v		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?	v		(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?	v		(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?	v		(8) Apex's procurement department conducts supplier evaluation and audits regularly and insists that all products must comply with the RBA 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

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	
(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 social responsibility policy and the result has a significant impact on the environment and society?	v		(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 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.	No particular difference
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. 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. B. Providing job of massage service to blind people in factory serving Apex employee, the expense was approximately 880 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. Donate candles and drinking water to the temple nearby Apex Thailand factory and support its traditional activities.
- C. Funded nearby elementary schools of desktop computer and sponsor for the community activities.
- D. Collaborating with local hospitals (Blood donation for Siriraj Hospital in Bangkok) for employees to donate blood each quarter.

(3) Environmental protection

- A. Adopting environmental afforestation around the factory.
- B. Holding the activities for planting mangrove forest.
- C. 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:

- (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

3.4.6 Execution of ethical management and measures taken

Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission.

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	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		<p>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.</p> <p>(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.</p>	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		<p>(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.</p>	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. 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 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.	No particular difference
(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		(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	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	
(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		the company. Channels for communication with stakeholders are kept open. (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
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 any 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

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) 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 and the result of implementation 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.				
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 that 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.

3.4.7 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>.

3.4.8 Other important information able to help the public understand the company's corporate governance practices should also be disclosed: None

3.4.9 Internal Control System Execution Status:
Statement of Internal Control System

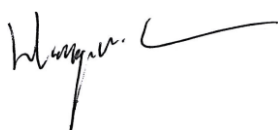
Apex International Co., Ltd.

Statement of Internal Control System

Date: March 05, 2019

Based on the findings of a self-assessment, Apex International Co., Ltd. (hereinafter, the "Company") states the following with regard to its internal control system during year 2018:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability, timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2018, its internal control system (including its supervision of subsidiaries), was effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an essential content of the Company's Annual Report for the year 2018 and Prospectus, and will be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March 05, 2019, with 0 of the 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.



Chairman Shu-Mu Wang



CEO Jui-Hsiang Chou

If CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.4.10 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.

3.4.11 Resolutions of the General Shareholders' Meeting and the Board of Directors' Meeting

Major Resolutions in 2018 Annual General Meeting

Year	Date	Major Resolutions	Carries out the situation
2018 Annual General Meeting	June 15, 2018	To Approve 2017 Final Accounting Books and Financial Statements.	Proposal was approved after voting.
		To Approve the Proposal for Distribution of 2017 Profits.	Proposal was approved after voting.
		Amendment to the "Memorandum and Articles of Association" of the Company	Proposal was approved after voting and completed the filing of registration change on Jul. 24, 2018 in accordance with the revised provisions.
		Amendment to the "Rules for Election of Directors" of the Company.	Proposal was approved after voting and implemented in accordance with the revised provisions.

Resolutions of the Board of Directors' Meeting

Date	Major Resolutions
2018.03.01	<ol style="list-style-type: none"> 1. 2018 CPA-audited and certified financial report and audit fee process by KPMG. 2. 2017 annual operation report and consolidated financial statement. 3. 2017 annual internet control system statement. 4. The CPA special audit report on the company internal control system of year 2017. 5. Subsidiary APT granting bonus to Directors. 6. The 2018 compensation of Director of subsidiary AET. 7. The amendment "Memorandum and Articles of Association" of Company. 8. 2017 annual distribution of earning of Company. 9. The plan of the offer and issue of the third unsecured convertible corporate bonds of the company within Taiwan, R.O.C. 10. The date, place and resolutions to convene 2018 Annual General Meeting. 11. Granting bonus to Independent Directors.
2018.03.27	<ol style="list-style-type: none"> 1. The application of credit line and open account with KGI Commercial Bank. 2. The application of credit line and open account with Cathay United Bank. 3. The amendment to the "Memorandum and Articles of Association" of the Company
2018.06.15	<ol style="list-style-type: none"> 1. The application of credit line with Taishin International Bank. 2. The application of credit line with Taichung Commercial Bank. 3. The application of credit line and open account with Mega International Commercial Bank. 4. The opened account in First Commercial Bank Co., Ltd. Chung -Shan Branch. 5. The opened account in Union Bank of Taiwan Sungchiang Branch.

Date	Major Resolutions
2018.08.07	<ol style="list-style-type: none"> 1. The opened account in the KGI Bank, Offshore Banking Unit. 2. The application of credit line with Taishin International Bank.
2018.11.07	<ol style="list-style-type: none"> 1. The Company endorses and guarantees for subsidiary APT. (KBank) ° 2. The Company endorses and guarantees for subsidiary APT. (TMB Bank) °
2018.12.18	<ol style="list-style-type: none"> 1. The Company's 2019 Annual Operating Plan and Budget. 2. The Company's 2019 Annual Audit Plan. 3. The alternation of Internal Audit Officer. 4. The result of Group managerial officers performance evaluation in 2018 as well as the annual bonus plan. 5. The remuneration of Group directors (including independent directors) in year 2019.
2019.03.05	<ol style="list-style-type: none"> 1. 2019 CPA-audited and certified financial report and audit fee process by KPMG. 2. 2018 Annual Operation Report and Consolidated Financial Statements. 3. 2018 annual distribution of earning of the Company. 4. To issue 2018 annual Internal control system statement. 5. Amendment to the "Memorandum of Association and Articles of Association" of the Company. 6. Amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company. 7. Amendment to the "Procedures for the Handling of Derivatives Trading " of the Company. 8. Amendment to the "Rules for Board of Director Performance Evaluation " of the Company. 9. Amendment to the "Principle of Corporate Governance " of the Company. 10. Amendment to the "Rules and Procedure of Board of Directors Meetings " of the Company. 11. To formulate the "Standard Operating Procedures for Handling Requirements of Directors" of the Company. 12. Amendment to the "Rules and Procedures of Shareholders' Meeting" of the Company. 13. Subsidiary APT granting bonus to Directors. 14. 2019 remuneration of Director of subsidiary AET. 15. To re-elect all directors of the Company. 16. To Release Non-Compete Restrictions on Newly-Elected Directors. 17. The agenda of the Company's 2019 Annual General Meeting and acceptance of shareholder proposals and nominations for candidates of directors (including independent directors). 18. The Board of Director plans the nomination of directors (including independent directors) of the candidates list. 19. The application of credit line and account opening with Jih Sun International Bank, Ltd. 20. The application of credit line with Yuanta Commercial Bank. 21. The application of credit line with EnTie Commercial Bank.

3.4.12 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

3.4.13 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
Internal Auditor	Hsin-Wang Yang	2015.03.16	2018.12.18	Position adjustment
CFO	Maliwan Chinvorakijkul	2013.06.26	2018.01.01	Position adjustment

3.5 CPA Fees

CPA Fee Table

Name of Accounting Firm	Name of CPA	Audited Period	Remark
KPMG Taiwan	Chao, Min-Ju	2018.01.01~2018.12.31	-
	Chen, Ya-Lin		

Unit: NT\$ thousand

Amount		Fee Item	Audit Fees	Non-audit Fees	Total
1	Less than 2,000			v	
2	2,000 (including) ~ 4,000				
3	4,000 (including) ~ 6,000		v		v
4	6,000 (including) ~ 8,000				
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 Taiwan	Min-Ju Chao	5,283	0	0	0	348	348	2018.01.01 ~ 2018.12.31	Other Non-audit fees include capital verification report, overseas registration annual fees, change registration and certification fee.
	Ya-Lin Chen								

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

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

3.6 Information of Change of CPA None

3.7 Company Chairman, General Managers, or Financial or Accounting Managers Serving in the Accounting Firm of the CPAs or its Affiliates None

3.8 Share Transfers or Changes of Stock Pledges by Directors, Supervisors, Managers or Shareholders in Possession of Over 10% of Total Shares

3.8.1 Stock right changes happening to directors, supervisors, managers or shareholders in possession of over 10% of total shares

Title	Name	2018		As of Apr. 07, 2019	
		Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Pledged	Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Pledged
Chairman	Shu-Mu Wang	0	0	0	0
Director & General Manager	Jui-Hsiang Chou	0	0	0	0
Director	Chai-Chen Lan (Note1)	0	0	0	0
Director & APT Vice President	Yung-Yuan Cheng	0	0	0	0
Director	Shohara Masashi (Note1)	0	0	0	0
Director	Smokiat Krajangaeng	0	0	0	0
Director & Vice President	Sen-Tien Wu	0	0	0	0
Director	Shun-Chung Lee	0	0	0	0
Independent Director	Chau-Chin Su	0	0	0	0
Independent Director	Yung-Tsai Chen	0	0	0	0
Independent Director	Jesadavat Priebjivat	0	0	0	0
Chief Financial Officer & Accounting Managerial Personnel	Shou-Hua Hsu	0	0	0	0
Assistant General Manager	Shin-Wang Yang	0	0	0	0
Chief Financial Officer & Accounting Managerial Personnel	Maliwan Chinvorakijkul (Note3)	0	0	0	0

Note 1: Mr. Chai-Chen Lan resigned as a director of API on December 31, 2018.

Note 2: Mr. Shohara Masashi resigned as a director of API on May 31, 2018.

Note 3: Ms. Maliwan Chinvorakijkul resigned as a CFO & Accounting Managerial Personnel of API on January 01, 2018.

3.8.2 Share transfer information: None

3.8.3 Secured parties of share pledges being related parties: None

3.9 The Top Ten Thareholders being Related Parties or Spouses or Relatives within the First Two Degrees as Stated in Statement

Apr. 04, 2019

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	
Yan-Xian Lu	13,134,000	7.11	0	0.00	0	0.00	None	None	None
CTBC Bank Co., Ltd. as custodian of Object Map Ltd. Investment Account	9,787,840	5.30	0	0.00	0	0.00	None	None	None
Standard Chartered Bank as custodian of Credit Suisse Singapore Branch	4,300,000	2.33	0	0.00	0	0.00	None	None	None
Yongjinshan Co., Ltd.	3,813,000	2.06	0	0.00	0	0.00	None	None	None
Representative: You-Dong Jian	0	0.00	0	0.00	0	0.00	None	None	None
President Securities Corp.	3,799,000	2.06	0	0.00	0	0.00	None	None	None
Representative: Kuan-Cheng Lin	0	0.00	0	0.00	0	0.00	None	None	None
Rui-Min Zhang	3,596,000	1.95	0	0.00	0	0.00	None	None	None
Cathay Life Insurance Company, Ltd.	2,579,000	1.40	0	0.00	0	0.00	None	None	None
Representative: Diao-Gui Huang	0	0.00	0	0.00	0	0.00	None	None	None
Guo, Qing-Wen	2,367,311	1.28	0	0.00	0	0.00	None	None	None
JPMorgan Chase Bank, N.A., Taipei Branch as custodian of J.P. Morgan Securities Ltd.	2,253,032	1.22	0	0.00	0	0.00	None	None	None
Nan Shan Life Insurance Company, Ltd.	2,219,680	1.20	0	0.00	0	0.00	None	None	None
Representative: Ying-Zong Du	0	0.00	0	0.00	0	0.00	None	None	None

Note: If the shareholder is not an insider, the relevant information will be disclosed to the extent that the company can obtain.

3.10 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

Dec. 31, 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	
	Shares	%	Shares	%	Shares	%
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	0	0.00	1,000	100.00
Apex Electronics (Shen Zhen) Co., Ltd (Note)	No issuance of shares	99.58	No issuance of shares	0.00	No issuance of shares	99.58

Note: On November 13, 2017, the Board decided to close down APC, a subsidiary of the Group, due to a shift in operating strategy. All of APC's shares had been transferred back to the Group on April 4, 2019. As of the reporting date, the liquidation process has yet to be completed.

4. Fundraising Overview

4.1 Capital and Shares

4.1.1 Sources of Share Capital

Unit: NT dollar; share

Year/ Month	Issue Price	Authorized Share Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Property Other than Cash Used for Subscription	Others
2009/10	10	100,000,000	1,000,000,000	1,000	10,000	Startup capital	None	-
2009/12	10	100,000,000	1,000,000,000	58,641,765	586,417,650	Transfer	None	(Note1)
2010/01	10	100,000,000	1,000,000,000	62,227,019	622,270,190	Transfer	None	(Note2)
2010/01	(Note 3)	100,000,000	1,000,000,000	84,249,241	842,492,410	Cash capital increase	None	(Note3)
2011/10	28	100,000,000	1,000,000,000	92,949,241	929,492,410	Cash capital increase	None	-
2011/10	-	200,000,000	2,000,000,000	92,949,241	929,492,410	None	None	(Note4)
2013/03	40	200,000,000	2,000,000,000	93,616,741	936,167,410	Conversion of convertible Corporate bonds	None	-
2013/04	40	200,000,000	2,000,000,000	95,389,241	953,892,410	Conversion of convertible Corporate bonds	None	-
2013/11	37.12	200,000,000	2,000,000,000	97,051,414	970,514,140	Conversion of convertible Corporate bonds	None	-
2014/03	37.12	200,000,000	2,000,000,000	97,091,822	970,918,220	Conversion of convertible Corporate bonds	None	-
2014/06	37.12	200,000,000	2,000,000,000	97,916,172	979,161,720	Conversion of convertible Corporate bonds	None	-
2014/07	37.12	200,000,000	2,000,000,000	97,926,946	979,269,460	Conversion of convertible Corporate bonds	None	-
2014/08	42.5	200,000,000	2,000,000,000	110,426,946	1,104,269,460	Cash capital increase	None	-
2014/08	35.84	200,000,000	2,000,000,000	117,597,665	1,175,976,650	Conversion of convertible Corporate bonds	None	-
2014/09	(Note5)	200,000,000	2,000,000,000	120,936,439	1,209,364,390	Conversion of convertible Corporate bonds	None	-

Year/ Month	Issue Price	Authorized Share Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Property Other than Cash Used for Subscription	Others
2014/10	35.84	200,000,000	2,000,000,000	122,412,433	1,224,124,330	Conversion of convertible Corporate bonds	None	-
2014/11	35.84	200,000,000	2,000,000,000	122,515,665	1,225,156,650	Conversion of convertible Corporate bonds	None	-
2015/06	42.9	200,000,000	2,000,000,000	122,594,919	1,225,949,190	Conversion of convertible Corporate bonds	None	-
2017/07	10	200,000,000	2,000,000,000	126,517,957	1,265,179,570	Retained profits capital increase	None	-
2017/09	19.5	200,000,000	2,000,000,000	144,517,957	1,445,179,570	Cash capital increase	None	-
2018/06	-	300,000,000	3,000,000,000	144,517,957	1,445,179,570	None	None	(Note4)
2018/08	21.5	300,000,000	3,000,000,000	158,806,273	1,588,062,730	Conversion of convertible Corporate bonds	None	-
2018/09	21.5	300,000,000	3,000,000,000	161,829,510	1,618,295,100	Conversion of convertible Corporate bonds	None	-
2018/10	21.5	300,000,000	3,000,000,000	163,638,809	1,636,388,090	Conversion of convertible Corporate bonds	None	-
2018/11	21.5	300,000,000	3,000,000,000	169,857,380	1,698,573,800	Conversion of convertible Corporate bonds	None	-
2018/12	21.5	300,000,000	3,000,000,000	170,229,463	1,702,294,630	Conversion of convertible Corporate bonds	None	-
2019/01	(Note6)	300,000,000	3,000,000,000	175,691,329	1,756,913,290	Conversion of convertible Corporate bonds	None	-
2019/02	(Note6)	300,000,000	3,000,000,000	182,170,714	1,821,707,140	Conversion of convertible Corporate bonds	None	-
2019/03	(Note6)	300,000,000	3,000,000,000	184,423,410	1,844,234,100	Conversion of convertible Corporate bonds	None	-

Year/ Month	Issue Price	Authorized Share Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Property Other than Cash Used for Subscription	Others
2019/04	35.3	300,000,000	3,000,000,000	184,752,016	1,847,520,160	Conversion of convertible Corporate bonds	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.

Note 4: Annual General Meeting approved to increase Authorized Share Capital from 200,000,000 shares to 300,000,000 shares.

Note 5: Sep. 2014 APEX(49271) Conversion price:NT\$35.84; APEX (49272) Conversion price:NT\$42.9

Note 6: Aug. 2018-Mar. 2019 APEX (49272) Conversion price:NT\$35.3; APEX (49273) Conversion price:NT\$21.5

Apr. 07, 2019; Unit: share

Type of Share	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	184,752,016	115,247,984	300,000,000	Shares issued as a listed company at TWSE on Sep. 8, 2015.

Overall information on the declaration system: None

4.1.2 Shareholder Structure

Apr. 07, 2019; Unit: person; share

Shareholder Structure Quantity	Government Institution	Financial Institution	Other Juristic Persons	Individual	Foreign Institutions and Individual	Total
No. of People	0	6	149	21,841	90	22,086
No. of Shares Held	0	5,538,680	15,296,117	127,552,596	36,364,623	184,752,016
Holding ratio	0.00%	3.00%	8.28%	69.04%	19.68%	100.00%
Holding ratio of capital from mainland China: 0%						

4.1.3 Share Diversification

Apr. 07, 2019

Shareholding Scale	No. of Shareholders	No. of Shares Held	Shareholding Ratio
1 to 999	11,045	285,900	0.15%
1,000 to 5,000	8,023	16,261,507	8.80%
5,001 to 10,000	1,342	10,725,528	5.81%
10,001 to 15,000	428	5,513,462	2.98%
15,001 to 20,000	313	5,919,367	3.20%
20,001 to 30,000	268	6,917,423	3.74%
30,001 to 40,000	136	4,846,761	2.62%

Shareholding Scale	No. of Shareholders	No. of Shares Held	Shareholding Ratio
40,001 to 50,000	93	4,328,250	2.34%
50,001 to 100,000	206	14,878,718	8.05%
100,001 to 200,000	112	15,474,893	8.38%
200,001 to 400,000	61	17,169,646	9.30%
400,001 to 600,000	29	14,124,510	7.65%
600,001 to 800,000	7	4,877,687	2.64%
800,001 to 1,000,000	3	2,730,427	1.48%
Over 1,000,001	20	60,697,937	32.86%
Total	22,086	184,752,016	100.00

4.1.4 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. 07, 2019; Unit: share

Name of Main Shareholder	Shares	No. of Shares Held	Shareholding Ratio
Yan-Xian Lu		13,134,000	7.11
CTBC Bank Co., Ltd. as custodian of Object Map Ltd. Investment Account		9,787,840	5.30
Standard Chartered Bank as custodian of Credit Suisse Singapore Branch		4,300,000	2.33
Yongjinshan Co., Ltd.		3,813,000	2.06
President Securities Corp.		3,799,000	2.06
Rui-Min Zhang		3,596,000	1.95
Cathay Life Insurance Company, Ltd.		2,579,000	1.40
Qing-Wen Guo		2,367,311	1.28
JPMorgan Chase Bank, N.A., Taipei Branch as custodian of J.P. Morgan Securities Ltd.		2,253,032	1.22
Nan Shan Life Insurance Company, Ltd.		2,219,680	1.20

4.1.5 The market price, net value, earnings and dividend per share in the two most recent years and related information

Item		Year	2017	2018	as of Apr.07, 2019
Market Price per Share	Maximum		35.50	37.75	48.10
	Minimum		18.45	17.90	33.55
	Average		27.55	30.64	42.09
Net Value per Share	Before allocation		30.47	35.30	(Note 2)
	After allocation		30.47	(Note 1)	
Earnings per Share	Weighted Average Shares (thousand shares)		131,597	152,117	
	Earnings per Share		0.59	5.45	
Dividend per Share	Cash dividend (Note 1)		0	2.556	Not applicable
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0	0	

Item		Year	2017	2018	as of Apr.07, 2019
	Stock Dividends Appropriated from Capital Reserve		0	0	
	Accumulated Undistributed Dividends		0	0	
Analysis of Return on Investment	Price-to-earnings ratio(Note 3)		45.00	5.62	
	Price-to-dividend ratio(Note 4)		0.00	(Note 1)	
	Cash dividend yield(Note 5)		0.00	(Note 1)	

Note 1: On March 5, 2019, the board of directors proposed to distribute earnings of 2018. The actual figures will be finalized after the resolution of shareholders' meeting on Jun. 05 2019.

Note 2: Until the date of publication of the annual report, there is no financial information reviewed by the accountant or verified by the accountant.

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

Note 4: Price-to-dividend ratio=average closing price per share of the year/cash dividend per share.

Note 5: Cash dividend yield=cash dividend per share/average closing price per share of the year.

4.1.6 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) If there are profits in a given year, the Company shall first make up the losses for the previous years, and then set aside a special surplus reserve as required by the competent securities authority under the Applicable Public Company Rules. If the balance is positive, subject to the Law and the Applicable Public Company Rules, the Board may decide whether to distribute profits. If it decides to do so, it shall make a proposal for profit distribution for approval by the Members by the sanction of an ordinary resolution or in the case of Article 11.4(d), a supermajority resolution, in annual general meetings. The profit distribution shall follow the ratios below:
- 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 Company operates in a mature industry, and is in the growth stage. In determining Members' dividend, the Company shall consider its future capital expenditure budgeting and evaluate its capital requirement in the next year, in order to determine the amount of profits for retention and distribution. The amount of profits for retention and distribution, and the types of dividend and their ratio shall be proposed by the Board, after consideration of the Company's profitability and capital level, and approved by the Members in the

annual general meetings; provided that, the cash portion shall be no less than 30% of total Members' dividend.

2. Execution situation:

A resolution was approved during the shareholders' meeting on June 15, 2018 not to distribute any 2017 earnings in 2018. 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 to current shareholders' meeting:

The board of directors resolved to distribute 2018 shareholders' dividend after the board of director's meeting on Mar. 05, 2019. It is proposed to distribute NT\$ 2.556 per share as cash dividend for shareholders. The total dividend number will be rounded down to zero decimal place. The proposed distribution of cash dividends is based on total outstanding shares of 182,003,578 shares and it may be affected by the Company's bondholders who convert their bonds into newly-issued common shares. It is proposed that the Board of Directors be authorized by the Annual General Meeting to adjust the ultimate cash dividend per share accordingly. After it is resolved at the annual meeting of shareholders on Jun. 05, 2019, it will be executed in accordance with related regulations.

4.1.7 The impact of the shareholders' meeting's stock grant proposal this time on company performance and earnings per share: Not applicable.

4.1.8 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 4.1.6 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 2018.
 - (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:
Regarding to fiscal year 2018, the proposal for 2018 annual distribution of earning of Company was approved by broad of directors in the meeting on Mar. 05, 2019, NT\$0 thousand for employee compensation and NT\$720 thousands for compensation of directors and supervisors. There is no

discrepancy between actual allocated amount and estimated amount.

(2) The proportion of the employee's compensation paid by the stock and the total net profit after tax and the total amount of employee compensation in the current period: Not applicable.

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

NT\$ thousand				
Year Item	Actual Amount Allocated in 2018	figure estimated in 2017	Difference	Cause and treatment situation
Employee cash bonus	0	0	0	-
Director remuneration	0	720	(720)	Estimation discrepancy, adjusted to be the profit and loss of 2018.

4.1.9 Company shares bought back by the company: None

4.2 Issuance of Bonds

4.2.1 Second & Third unsecured convertible corporate bonds of the company within Taiwan, R.O.C.

Types of Bond	Second unsecured convertible corporate bonds of the company within Taiwan, R.O.C.	Third unsecured convertible corporate bonds of the company within Taiwan, R.O.C.
Issue date	Jul. 21, 2014	May 7, 2018
Par value	NT\$ 100,000, issued at par	NT\$ 100,000, issued at par
Place of issuance and transaction	ROC	ROC
Issue price	100% issued at par	100% issued at par
Total amount	NT\$ 650,000,000	NT\$ 600,000,000
Interest rate	Coupon rate 0%	Coupon rate 0%
Duration	5 years, due on Jul. 21, 2019	3 years, due on May 7, 2021
Guarantee institution	None	None
Trustee	china Trust Commercial Bank Corporate Trust	Taishin International Bank
Underwriting agency	KGI Securities Co., Ltd.	KGI Securities Co., Ltd.
Certifying attorney	Lee and Li Attorneys-at-Law	Lee and Li Attorneys-at-Law
Certifying CPA	KPMG Accounting Firm	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.	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\$151,400,000	NT\$18,300,000
Clauses on Redemption or early repayment	See "Issuance and Conversion Regulations" on p. 348~354 in Apex's 2014 Prospectus on Convertible Bonds.	See Attachment No. 1 "Issuance and Conversion Regulations" in Apex's 2018 Prospectus on Convertible Bonds.
Restriction provisions	None	None
Name of credit rating agency, date of rating and results of bond rating	Not applicable	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 Apr. 07, 2019, the common shares already converted amounted to NT\$ 498,600,000.	As of Apr. 07, 2019, the common shares already converted amounted to NT\$ 581,700,000.
	Issuance and conversion (exchange or subscription) Regulations	See "Issuance and Conversion Regulations" on pp. 348~354 in Apex's 2014 Prospectus on Convertible Bonds.	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 "Issuance and Conversion Regulations" on pp. 348~354 in Apex's 2014 Prospectus on Convertible Bonds.	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	None

4.2.2 Bond conversion

Type of Bond		Second unsecured convertible corporate bonds of the company within Taiwan, R.O.C.			Third unsecured convertible corporate bonds of the company within Taiwan, R.O.C.		
Year		2017	2018	Until Apr. 07, 2019	2017	2018	Until Apr. 07, 2019
Convertible bond market price	Maximum	104.00	111.90	135.80	NA	175.00	221.00
	Minimum	95.60	96.50	103.40	NA	105.55	168.00
	Average	100.22	105.70	117.80	NA	121.25	183.27
Conversion price		35.3	35.30	35.3	NA	21.5	21.5
Issue date and conversion price at the time of issue		2014.07.21 45			2018.05.07 21.5		
Conversion obligation fulfillment		See "Issuance and Conversion Regulations" on p. 348~354 in Apex's 2014 Prospectus on Convertible Bonds.			See Attachment No. 1 "Issuance and Conversion Regulations" in Apex's 2018 Prospectus on Convertible Bonds.		

4.3 Preferred Shares Not applicable

4.4 Issuance of Global Depository Shares Not applicable

4.5 Status of Employee Stock Option Plan Not applicable

4.6 Status of Employee Restricted Stock Not applicable

4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions Not applicable

4.8 Financing Plans and Implementation

Third unsecured convertible corporate bonds of the company within Taiwan, R.O.C.

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

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

(b) 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.

(c) 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:

Unit: NT\$ thousand

Plan Item	Source of Capital	Estimated Date of Completion	Total Amount Required	Estimated Capital Utilization progress	
				2018	
				Q3	Q4
Repayment of Bank Loan	Fundraising and Issuance of Securities at This Time	2018 Q4	602,837	272,495	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.

(2) Financial item analysis

Unit: NT\$ thousand

Item		2017	2018
Current assets		4,834,332	5,815,440
Current liability		4,809,445	5,270,098
Total liabilities		6,827,761	6,132,452
Interest expense		114,365	102,970
Operating revenue		10,395,323	11,175,098
Earnings per share (NT dollar)		0.59	5.45
Financial structure (%)	Liability-to-Assets ratio	60.79	50.50
	Ratio of long-term assets to fixed assets/real estate, plants and equipment	101.61	109.76

- (a) Current assets: current assets increased mainly because of increased both of accounts receivable and Inventories.
- (b) Current liabilities: current liabilities increased mainly because of increased of current portion of convertible bonds payable.
- (c) Total liabilities: total liabilities decreased mainly because of the repayment of long-term debt.
- (d) Interest expenses: the reason of increase of interest expense was mainly from loans and corporate bonds caused by factory expansion. The amount in 2018 was not much different to 2017.
- (e) Operating revenue: There was a growth in 2018 and it was mainly because the prosperous demand of customer.
- (f) Earnings per share (EPS): By comparing to EPS of 2017, EPS in 2018 increased because that Apex increases the control of production overheads.

5. Business Overview

5.1 Contents of Business

5.1.1 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 Asia including China, Japan, Korea, Europe and America.

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, multimedia products for automobiles and automobiles devices.

Unit: NT\$ thousand;%

Product	Year	2017		2018	
		Amount	%	Amount	%
Double Side		1,496,954	14.40	2,093,013	18.73
Multi-Layer		8,874,680	85.37	9,050,658	80.99
Others		23,689	0.23	31,427	0.28
Total		10,395,323	100.00	11,175,098	100.00

2. New product and service items to be developed

In 2018, 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 2018. 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.

5.1.2 Industry overview

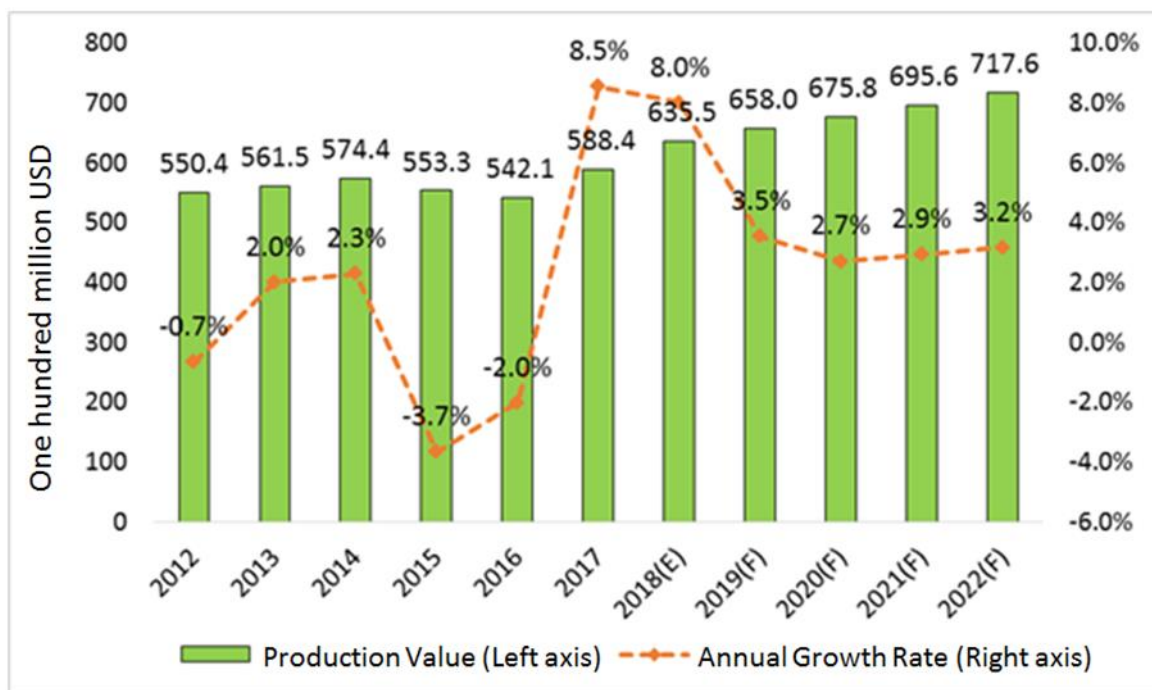
1. Current status and development of the industry

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, Apex has made use of the advantages it has developed from working on conventional boards to continue to improve the production process and capacity to obtain orders.

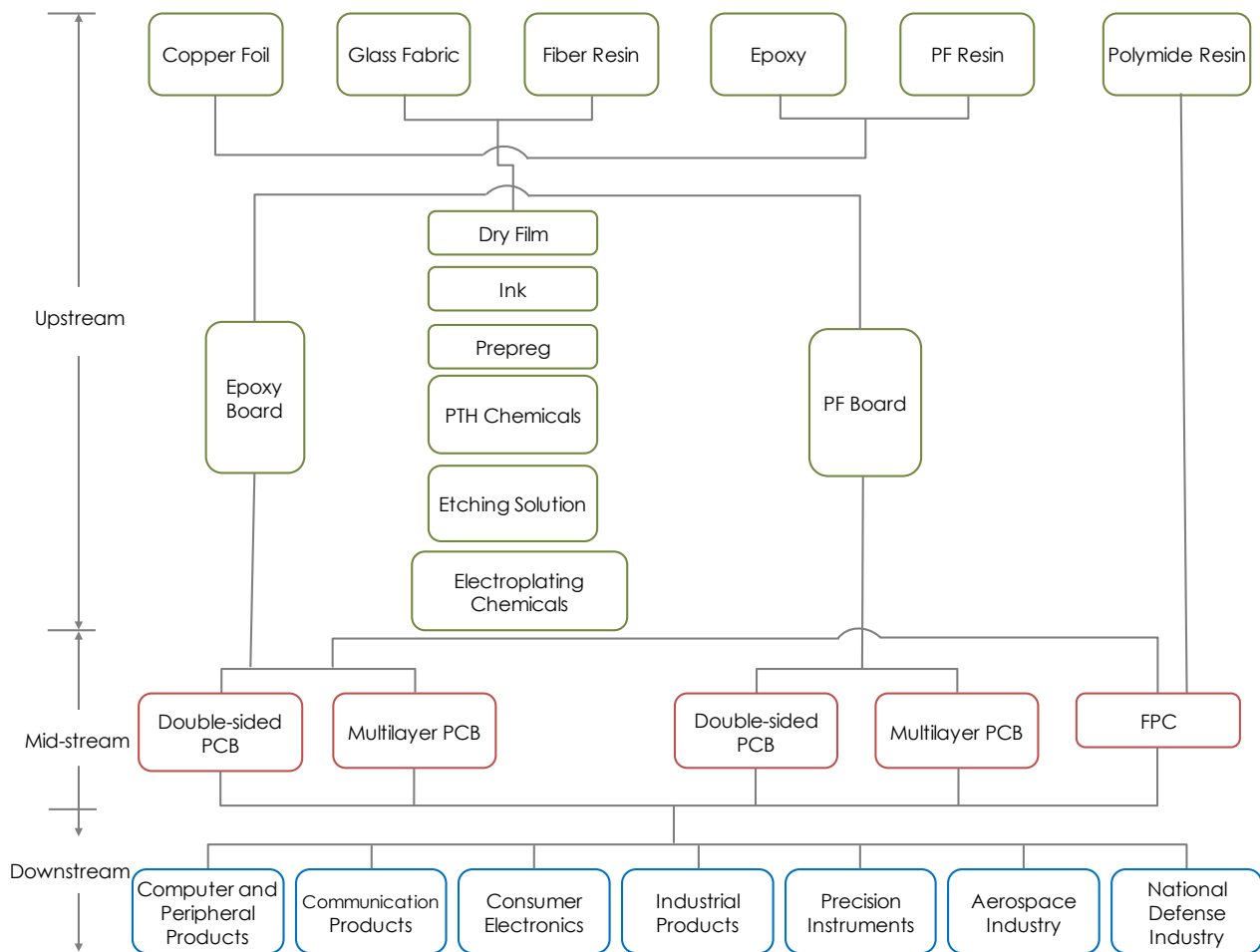
PCB is an indispensable basic part for electronic products, therefore, the PCB industry is extremely affected by the fluctuation of the electronics industry and the economic market. In 2018, owing to the increasing use of high-end circuit boards, the expansion of Big-data and AI concepts, the increasing demand for automotive electronics, smart watches and Bluetooth headsets, the shortage of IC carriers and the slowdown in PC shipments, etc, in accordance with the research institute Prismark, the annual growth rate of the global PCB industry production value in 2018 is 8.0%, reaching 63.55 billion US dollars.

2012~2022 Global PCB industry production value and annual growth rate



Reference: Prismark

- 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.



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

3. Product trends and industrial competition

The PCB industry production value has a very high correlation with the shipment of electronic terminal products. However, in recent years, it has been found that the shipments of electronic terminal products including smart phones, computers, and televisions have not grown significantly, but the production value of the PCB is increased instead of decreased. The main reason is that more and more high-order PCBs are used in each product. Under the circumstance that high-order PCBs driving the average unit price, the global PCB production value has reached a new high. 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 Prismark'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. Apex's major multi-layer board products are consumer electronics products, and

its market will experience moderate growth. Because 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 manufacturers located in Mainland China, including Taiwan-funded plants and domestic-funded plants. In recent years, the companies in Mainland China have increasingly strengthened their competitiveness through government support, self-technology upgrading, and the gradual integration of upstream and downstream industries. However, in recent years, the increasingly stringent environmental protection ban in mainland China will lead to an increase in the cost of environmental protection.

5.1.3 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, High reliability automobile Board process included drilling and plating process, special board processes parameters, polar impedance computation, linear compensation design special asymmetric boards and 28-inch large-scale production process accurating size (accurate 10% uniform etching) fine line capability 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 2018, the funds totaled 23,674 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
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
2018	28-inch large-scale production process: Accurate size (accurate 10% uniform etching) fine line capability High reliability automotive board drilling process: High reliability drill (less than 150% of hole head)

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. Apex also implements customer service, improves service quality and customer trust.

(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.

5.2 Market, Production and Marketing Overview

5.2.1 Market analysis

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

Year		Unit: NT\$ thousand			
		2017		2018	
Location		Amount	%	Amount	%
Overseas	Asia	5,285,271	50.84	5,495,244	49.17
	Europe	2,656,064	25.55	2,909,456	26.04
	America	280,822	2.70	349,682	3.13
	Africa	21,168	0.20	33,691	0.30
	Subtotal	8,243,325	79.29	8,788,073	78.64
Local (Note)		2,151,998	20.71	2,387,025	21.36
Total		10,395,323	100.00	11,175,098	100.00

Note: Local means sales to Thailand.

2. Market shares

The total of Apex's 2018 annual sales is NT\$ 11,175,098 thousand (around US \$370 million). The amount accounts for a relatively small percentage of the global 2-layer, 4-layer and 12-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

Looking into the future, given the unresolved trade war between China and the United States, it is feared that global economic growth will slow down in 2019, and the semiconductor industry, which is an important indicator of the PCB industry, also has downside risks. In addition, the application of 5G wireless communication and artificial intelligence (AI) is still in its infancy. It is afraid that the growth rate of the global PCB industry will not be high in 2019. In the long run, owing to the formal commercialization of 5G wireless communication technology in 2020, the continuous expansion of AI applications, and the continued light and thin design of electronic products, the trend of auto electronics and new energy vehicles will

continue to support the PCB industry maintains its growth momentum. According to Prismark, the global PCB industry production value is expected to exceed US\$70 billion to reach US\$71.76 billion in 2022, and will exceed US\$75 billion in 2024. The compound growth rate of 2019 to 2022 is 2.9%.

4. Competitive edges

(1) 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.

(2) 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.

(3) 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

(1) Advantageous factors

■ Geography and people of Thailand

Thailand is a transportation hub in Southeast Asia with abundant resources. 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. Besides, Thai people are friendly and loyal. This has made it possible for Apex to maintain the turnover rate in a low level to maintain the efficiency and quality of the production.

■ 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.

■ 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.

■ **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.

■ **Logistic advantages in Thailand**

Recently, 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.

(2) **Disadvantageous factors**

■ **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.

■ **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.

■ 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.

■ 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

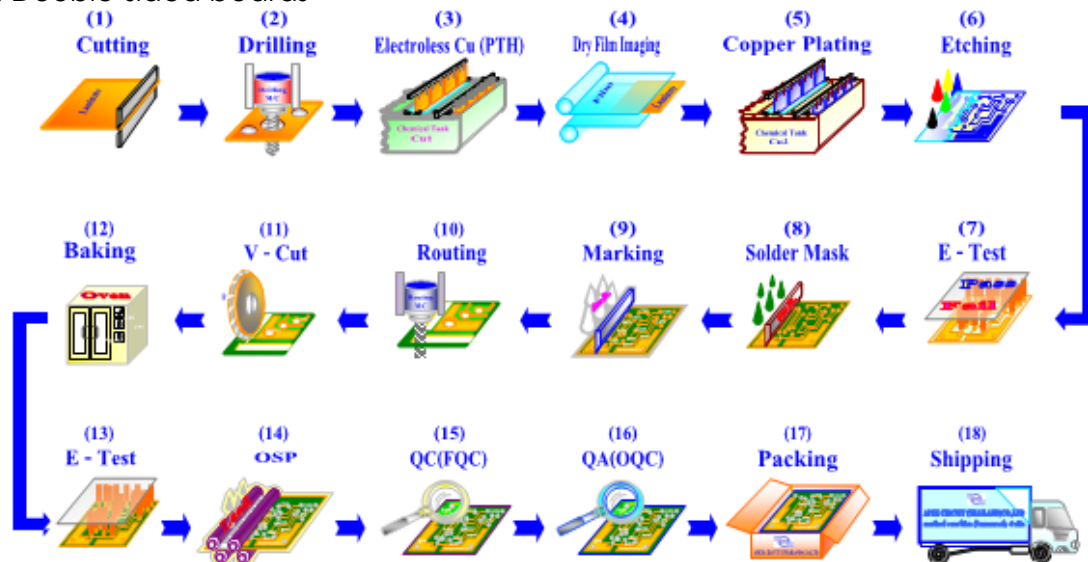
Apex keeps a close watch on price change tendencies and purchases needed quantities in advance when prices are at low points in order to maintain low material costs. We also keep good relationships with suppliers to ensure all material costs achieve our expectations. Apex also conducts cost control through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

5.2.2 Important uses and production processes of main products

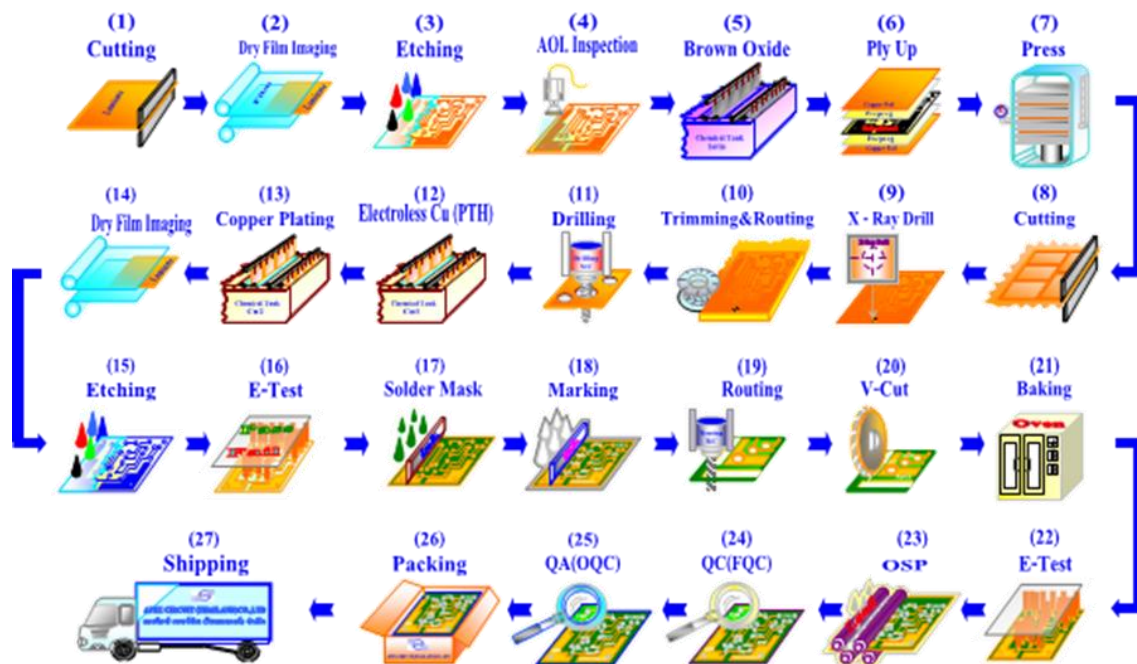
1. Important uses of products

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



5.2.3 Supply of main raw materials

Apex is a PCB manufacturer. The main raw materials needed are substrates, copper foil and prepreg which are not special materials and can be obtained from a completely competitive market. The price can also appropriately reflect the market conditions of the information of electronics industry. The procurement decision mainly considers the quality and cost. The main supplier includes Taiyo Ink, Nan Ya Plastics, Western, and King Board Chemical. These are all major suppliers with a good reputation. Apex has good credit and have kept a decent and stable supply-demand relationship with these suppliers. Therefore, the supply and prices of major raw materials remains stable and normal.

5.2.4 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

Main Customers

Unit: NT\$ thousand

No.	2017				2018			
	Name	Amount	Ratio to Net Annual Sales (%)	Relation with Issuer	Name	Amount	Ratio to Net Annual Sales (%)	Relation with Issuer
1	Customer A	1,633,424	15.71%	none	Customer A	2,084,778	18.66%	none
2	Customer S	1,368,202	13.16%	none	Customer S	1,207,380	10.80%	none
3	Customer T	1,079,311	10.38%	none	Customer T	993,361	8.89%	none
	Others	6,314,386	60.75%	none	Others	6,889,579	61.65%	none
	Total	10,395,323	100.00%	-	Total	11,175,098	100.00%	

Description of changes of main customers: Change of the rank of each customer was mainly because of their own market changed.

Main Suppliers

Unit: NT\$ thousand

No.	2017				2018			
	Name	Amount	Ratio to total Purchases %	Relation with Issuer	Name	Amount	Ratio to total Purchases %	Relation with Issuer
1	Vendor K	1,373,807	21.49%	none	Vendor K	1,422,266	20.97%	none
2	Vendor N	1,171,837	18.33%	none	Vendor N	965,796	14.24%	none
3	Vendor W	588,497	9.21%	none	Vendor C	820,764	12.10%	none
4	Vendor C	481,498	7.53%	none	Vendor W	341,426	5.03%	none
	Others	2,776,685	43.44%	none	Others	3,231,429	47.66%	none
	Net	6,392,324	100.00%	-	Net	6,781,681	100.00%	-

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.

5.2.5 Production value in the two most recent years

Unit: square meter, NT \$thousand

Year	2017			2018		
	Production Capacity	Production	Output Value	Production Capacity	Production	Output Value
Double-sided Board	920,000	889,132	1,247,838	1,336,000	1,313,095	1,677,390
Multi-layer Board	4,259,500	4,048,458	8,006,810	4,266,000	4,116,792	7,760,710
Total	5,179,500	4,937,590	9,254,648	5,602,000	5,429,887	9,438,100

5.2.6 Sales in the two most recent years

Unit: square meter, NT \$thousand

Year	2017				2018			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Double-sided Board	369,408	645,889	516,912	851,065	407,383	860,567	700,708	1,232,446
Multi-layer Board	627,195	1,496,415	3,428,707	7,378,265	556,525	1,512,778	2,930,834	7,537,880
Others	-	9,694	-	13,995	-	13,680	-	17,747
Total	996,603	2,151,998	3,945,619	8,243,325	963,908	2,387,025	3,631,542	8,788,073

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

5.3 Employee Profile

Employee statistics in the past two years up to publication date

Year		2017	2018	Mar. 31, 2019
No. of Employees	Managers	78	71	69
	Production departments	4,300	4,298	4,304
	Common employees	2,013	2,128	2,196
	Total	6,391	6,497	6,569
Average age		29.17	29.33	29.23
Average length of service		3.09	3.09	3.28
Education Level	Ph.D.	0.00%	0.00%	0.00%
	Master	0.16%	0.15%	0.15%
	University	16.52%	17.24%	17.42%
	Senior high school	42.03%	41.50%	41.45%
	Below senior high school	41.29%	41.11%	40.98%

5.4 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.

5.5 Labor-Management Relations

5.5.1 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 2018 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.

5.5.2 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

5.6 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	Taishin International Bank Co., Ltd.	2018.07.24~2019.04.30	Short-term credit of financing facilities	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Bank Sinopac Co., Ltd.	2018.02.22~2020.02.21	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	EnTie Commercial Bank Co. Ltd.	2018.12.06~2020.12.05	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.	2018.04.27~2020.04.26	Long-term loans	For parent company operations only
Long-term loan contract	Taichung Commercial Bank co., Ltd	2018.03.28~2020.03.27	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
Short-term loan contract	Cathay United Bank Company Ltd.	2018.03.13~2019.06.27	Short-term credit of financing facilities	None

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
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.	2019.03.29~2021.03.28	Long-term loans	None
Long-term loan contract	Shanghai Commercial & Savings Bank, Ltd	2017.05.12~2019.05.12	Long-term loans	None
Long-term loan contract	First Commercial Bank Co., Ltd.	2018.08.15~2020.08.14	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
Short-term loan contract	Jih Sun International Bank, Ltd.	2019.01.14~2019.12.19	Short-term credit of financing facilities	None
Short-term loan contract	Yuanta Commercial Bank	2018.12.28~2019.12.27	Short-term credit of financing facilities	None
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
Short-term loan contract	Bangkok Bank Public Co., Ltd.	Effective from 2018.08.07	Short-term credit of financing facilities	Reduced credit line
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
Forward Contract	Bangkok Bank Public Co., Ltd	Effective from 2019.03.14	Forward Contract	None

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
Short-term loan contract	Kasikorn Bank Public Co., Ltd.	Effective from 2019.02.18	Short-term credit of financing facilities	
Forward Contract	Kasikorn Bank Public Co., Ltd.	Effective from 2019.02.18	Forward Contract	None
Loan extension contract	Mega International Commercial Bank Public Co., Ltd.	2017.10.31~2018.10.31	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	TMB Bank Public Co., Ltd.	Effective from 2018.11.07	Short-term credit of financing facilities	Increased credit line
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 & derived goods quota contract	Bank of Ayudhaya Public Co., Ltd.	1. Effective from 2016.09.05 2. Effective from 2017.04.24 3. Effective from 2018.01.22	Credit line of short-term financing facilities	None
Long-term loan contract	Bank of Ayudhaya Public Co., Ltd.	1. Effective from 2018.01.22 2. 48 months from 2018.04.26 3. 48 months from 2018.09.12 4. 48 months from 2018.12.12	Long term loans	None

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
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
Engineering contract	Fah Chun Development Limited	2018.12.01~2019.02.15; 2 years or 5 years warranty depending on the content and scope of the warranty	Interior modification of the factory building	None
Engineering contract	Kertiri Co., Ltd	2018.10.31~2018.12.30; 1 year or 5 years warranty depending on the content and scope of the warranty	QA Lab Interior modification of the factory building	None
Engineering contract	Kertiri Co., Ltd	2018.10.20~2018.11.30; 1 year or 5 years warranty depending on the content and scope of the warranty	Business office modification of the factory building	None
Engineering contract	Kertiri Co., Ltd	2018.07.10~2018.1.31; 1 year or 5 years warranty depending on the content and scope of the warranty	Phra Brahma God house Building construction	None

6. Financial Overview

6.1 Five-Year Financial Summary

6.1.1 The condensed balance sheet from 2014 to 2018 - established according to IFRS

Unit: NT\$ thousand

Item	Year	Financial Summary for The Last Five Years (note 1)				
		2014	2015	2016	2017	2018
Current Assets		3,996,139	4,406,408	4,658,638	4,834,332	5,815,440
Fixed Assets		5,765,439	6,130,939	6,177,648	6,319,396	6,260,130
Intangible Assets		28,745	23,427	19,997	16,280	37,879
Other Assets		34,316	25,454	41,346	61,105	27,728
Total Assets		9,824,639	10,586,228	10,897,629	11,231,113	12,141,347
Current Liabilities	Before Allocation	4,129,807	5,179,842	5,057,411	4,809,445	5,270,098
	After Allocation	4,436,096	5,486,329	5,153,035	4,809,445	Note 3
Non-current liabilities		1,582,662	1,299,326	1,851,206	2,018,316	862,354
Total Liabilities	Before Allocation	5,712,469	6,479,168	6,908,617	6,827,761	6,132,452
	After Allocation	6,018,758	6,785,655	7,004,241	6,827,761	Note 3
Shareholders' Equity Attributable to Parent		4,091,372	4,084,712	3,965,619	4,379,472	5,981,293
Share Capital		1,225,157	1,225,950	1,225,950	1,445,180	1,702,295
Capital Reserves		1,481,385	1,483,703	1,483,703	1,652,256	1,944,448
Retained Earnings	Before Allocation	1,360,726	1,588,532	1,556,222	1,499,002	2,331,889
	After Allocation	1,054,437	1,282,045	1,460,598	1,499,002	Note 3
Other Equity		24,104	(213,473)	(300,256)	(216,966)	2,661
Treasury Shares		-	-	-	-	-
Non-controlling Equity		20,798	22,348	23,393	23,880	27,602
Total Equity	Before Allocation	4,112,170	4,107,060	3,989,012	4,403,352	6,008,895
	After Allocation	3,805,881	3,800,573	3,893,388	4,403,352	Note 3

Note 1: The data for 2014~2018 are based on consolidated financial statements already audited and certified by CPAs.

Note 2: As of the date of the annual report, there are no financial statements as audited or reviewed by a CPA.

Note 3: Allocation of 2018 earnings was already proposed by the board of directors on March 05, 2019 but is yet to be approved by the shareholders' meeting.

6.1.2 The condensed income statement from 2014 to 2018

Unit: NT\$ thousand (Except EPS: NT\$)

Item	Year	Financial Summary for The Last Five Years (note 1)				
		2014	2015	2016	2017	2018
Operating Revenue		7,366,819	8,628,752	8,585,106	10,395,323	11,175,098
Gross Profit		1,322,013	1,640,687	1,282,538	1,084,476	1,820,671
Operating profit		539,582	799,284	443,441	90,884	834,539
Non-operating income and expenditure		(76,443)	(175,669)	(78,191)	18,237	6,023
Net Profit before Tax		463,139	623,615	365,250	109,121	840,562
Current Year's Net Profit from Continuing Operations		429,644	534,129	274,532	78,444	833,058
Loss from Discontinued Operations		-	-	-	-	-
Current Year's Net Profit/Loss		429,644	534,129	274,532	78,444	833,058
Current Year's Other Comprehensive Income (after-tax net amount)		211,543	(236,061)	(86,093)	83,300	224,033
Total Current Year's Comprehensive Income		641,187	298,068	188,439	161,744	1,057,091
Net Profit Attributable to Parent		427,281	531,517	273,099	78,000	829,425
Net Profit Attributable to Non-controlling Interest		2,363	2,612	1,433	444	3,633
Total Comprehensive Income Attributable to Parent		637,780	296,518	187,394	160,924	1,052,514
Total Comprehensive Income Attributable to Non-controlling Interest		3,407	1,550	1,045	820	4,577
Earnings per Share		4.06	4.34	2.23	0.59	5.45

Note 1: The data for 2014~2018 are based on consolidated financial statements already audited and certified by CPAs.

Note 2: As of the date of the annual report, there are no financial statements as audited or reviewed by a CPA.

6.1.3 CPAs auditing and certifying financial statements in the five most recent years and their opinions

Year	Accounting Firm	CPA	Opinion
2014	KPMG Accounting Firm	Kuan, Chun Hsiou and Lyu, Li Li	Unqualified opinion
2015	KPMG Accounting Firm	Kuan, Chun Hsiou and Lyu, Li Li	Unqualified opinion
2016	KPMG Accounting Firm	Kuan, Chun Hsiou and Lyu, Li Li	Unqualified opinion
2017	KPMG Accounting Firm	Chao, Min-Ju and Chen, Ya-Lin	Unqualified opinion
2018	KPMG Accounting Firm	Chao, Min-Ju and Chen, Ya-Lin	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Financial analysis from 2014 to 2018

Analysis Item (Note 3)		Financial Summary for The Last Five Years (note 1)				
		2014	2015	2016	2017	2018
Financial Structure (%)	Liabilities-to-assets ratio	58.14	61.20	63.39	60.79	50.50
	Ratio of long-term funds to fixed assets	98.78	88.18	94.53	101.61	109.76
Debt-paying Ability (%)	Current ratio	96.76	85.07	92.11	100.51	110.34
	Quick ratio	73.35	61.21	62.53	71.59	78.99
	Interest protection multiples	5.52	7.41	4.59	1.95	9.16
Management Capacity	Accounts receivable turnover rate (time)	4.03	3.78	3.34	3.65	3.32
	Average collection days	90.57	96.56	109.28	100.00	109.93
	Inventory turnover rate (time)	6.42	5.95	5.00	6.04	5.78
	Accounts payable turnover rate (time)	3.55	3.16	2.82	3.09	3.03
	Average inventory turnover days	56.85	61.34	73.00	60.43	63.14
	Fixed assets turnover rate (time)	1.28	1.41	1.38	1.64	1.77
	Total assets turnover rate (time)	0.83	0.85	0.79	0.93	0.95
Profitability	Return on assets (%)	5.76	6.00	3.31	1.53	7.83
	Return on equity (%)	12.77	13.00	6.78	1.86	16.00
	Ratio of before-tax net profit to paid-in capital (%)	37.80	50.87	29.79	7.55	49.37
	Net profit ratio (%)	5.83	6.19	3.19	0.75	7.45
	Earnings per share (NT dollar)	4.06	4.34	2.23	0.59	5.45
Cash Flow	Cash flow ratio (%)	22.89	12.00	14.26	19.15	16.33
	Cash flow adequacy ratio (%)	40.70	39.99	37.23	46.37	66.05
	Cash reinvestment ratio (%)	9.76	3.96	4.66	8.15	7.72
Leverage	Operating leverage	1.90	1.70	2.32	7.85	1.80
	Financial leverage	1.23	1.14	1.29	(3.87)	1.14

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:
In the year of 2018, due to the decrease in unit cost of materials and the improvement of cost control of the Company, operating costs accounted for a significant decrease in the proportion of revenue and resulted in the increase in net profit of operating margins, business interests, pre-tax net profit and net profit for this year and caused increase of these ratio.
2. Cash flow adequacy ratio: With the growth of revenue in the year 2018, the corresponding net cash flow from operating activities also increased and due to the expansion of the plant has completed in year 2017, the scale of capital expenditures slightly decreased compared with previous years, so the ratio increased.
3. Operating leverage: The operating profit for year 2018 is increased, due to the decrease in operating costs, which resulted in an increase in operating margin and a decrease of the ratio.
4. Financial leverage: The operating profit for year 2018 is increased, due to the decrease in operating costs, which resulted in an increase in operating margin and an increase of the ratio.

Note 1: The data for 2014~2018 are based on consolidated financial statements already audited and certified by CPAs.

Note 2: As of the date of the annual report, there are no financial statements as audited or reviewed by a CPA.

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

1. Financial structure

(1) Liabilities-to-assets ratio= $\text{total liabilities}/\text{total assets}$

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

2. Debt-paying ability

(1) Current ratio= $\text{current assets} / \text{current liabilities}$

(2) Quick ratio= $(\text{current assets}-\text{inventory}-\text{prepaid expenses})/\text{current liabilities}$

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

3. Management capacity

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

(2) Average collection days= $365/\text{accounts receivable turnover ratio}$

(3) Inventory turnover ratio= $\text{cost of goods sold}/\text{average inventory}$

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

(5) Average inventory turnover days= $365/\text{inventory turnover ratio}$

(6) Fixed assets turnover ratio= $\text{net sales}/\text{net fixed assets}$

(7) Total assets turnover ratio= $\text{net sales}/\text{total assets}$

4. Profitability

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

(2) Rate of return on equity= $\text{after-tax income}/\text{total equity}$

(3) Net profit ratio= $\text{after-tax income}/\text{net sales}$

(4) Earnings per share= $(\text{income attributable to parent-preferred share dividends})/$

weighted average number of shares

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)

6. Leverage

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

(2) Financial leverage=operating income/(operating income-interest expenses)

6.3 Audit Committee Report in the Most Recent Year

Audit Committee Audit Report on the 2018 Financial Statement

Apex International Company Limited

Audit Committee's Review Report

Board of Directors has prepared the Company's 2018 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 Act, we hereby submit this report.

Apex International Co., Ltd.

Chairman of Audit Committee: Chau-Chin Su



Date: March 05, 2019

6.4 The Financial Statement for the Most Recent Year

Please refer to Annual Report Appendix 2018 Financial Statements.

6.5 CPA-Audited/Certified Individual Financial Statements in the Most Recent Year Not applicable

6.6 The Impact on Company Finance from Cash Flow Problems Encountered by the Company or any of its Affiliates None

7. Review and Analysis of Financial Status and Performance and Risks

7.1 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	2017	2018	Difference	
				Amount	%
Current Assets		4,834,332	5,815,440	981,108	20.29
Net Fixed Assets		6,319,396	6,260,130	(59,266)	(0.94)
Intangible Assets		16,280	37,879	21,599	132.67
Other Assets		61,105	27,728	(33,377)	(54.62)
Total Assets		11,231,113	12,141,347	910,234	8.10
Current Liabilities		4,809,445	5,270,098	460,653	9.58
Non-current liabilities		2,018,316	862,354	(1,155,962)	(57.27)
Total Liabilities		6,827,761	6,132,452	(695,309)	(10.18)
Share Capital		1,445,180	1,702,295	257,115	17.79
Capital Reserves		1,652,256	1,944,448	292,192	17.68
Retained Earnings		1,499,002	2,331,889	832,887	55.56
Total Shareholders' Equity		4,403,352	6,008,895	1,605,543	36.46

Note: 2017 and 2018 financial statements on IFRS are already audited and certified by CPAs.

Explanation for changes that exceed 20% and reached NT \$10 million or above in the past two years :

1. Increase of Current Assets : Mainly because of increase of accounts receivable and Inventories.
2. Increase of Intangible Assets : Mainly because of the increase of system software for the capacity expansion plan of the second plant.
3. Decrease of Other Assets : Mainly because of the repayment of long-term debt, the restricted bank deposits is decreased.
4. Decrease of Non-current Liabilities : Mainly because 2nd convertible bonds will be due within a year, it was classified as current liabilities, and the repayment of long-term debt in 2018.
5. Increase of Retained Earnings : In the year of 2018, due to the decrease in unit cost of materials and the improvement of cost control of the Company, such costs accounted for a significant decrease in the proportion of revenue and resulted in the increase in net profit.
6. Increase of Total Shareholders' Equity : Mainly because of increase of net profit, convertible bonds convert into equity and increase of capital reserves.

7.2 Financial Performance

7.2.1 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	2017	2018	Amount of increases or Decrease	Ratio of Change
Operating Costs		9,310,847	9,354,427	43,580	0.47
Gross Operating Profit		1,084,476	1,820,671	736,195	67.88
Operating Expenses		993,592	986,132	(7,460)	(0.75)

Operating Income	90,884	834,539	743,655	818.25
Non-operating Revenue and Expenditure	18,237	6,023	(12,214)	(66.97)
Before-tax Net Profit	109,121	840,562	731,441	670.30
Income Tax	30,677	7,504	(23,173)	(75.54)
Net Profit for the Year	78,444	833,058	754,614	961.98
Other comprehensive Income	83,300	224,033	140,733	168.95
Comprehensive Income	161,744	1,057,091	895,347	553.56

Note: 2017 and 2018 financial statements on IFRS are already audited and certified by CPAs.

Explanation for changes that exceed 20% and reached NT \$10 million or above in the past two years :

1. Increase in Gross Operating Profit, Operating Income, Before-tax Net Profit and Net Profit :
In the year of 2018, due to the decrease in unit cost of materials and the improvement of cost control of the Company, such costs accounted for a significant decrease in the proportion of revenue and resulted in the increase in net profit.
2. Decrease in Non-operating Revenue and Expenditure: Mainly because of the decrease in exchange benefit in year 2018. It is affected by the appreciation of the Thai baht, which caused the exchange benefit of financial statements of this year is decreased than which in year 2017.
3. Decrease in Income Tax Expenses: Mainly because of the acquisition of a new tax exemption certificate for the old factory in September 2017, which decreased the income tax expense for the year 2018 comparing to the same period of last year.
4. Increase in Other Comprehensive Income (net after tax): Due to the Thai Baht appreciated against the New Taiwan dollar in year 2018, which caused the exchange benefit of financial statements of the Thai subsidiary increased.
5. Increase in Comprehensive Income : Mainly because of increase of net profit and exchange benefit of financial statements of the foreign operating organization in year 2018.

7.2.2 Effect of changes on the company's future business:

Apex has completed the expansion of 2-3 stages 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 2019 will not increase substantially.

7.2.3 Likely influence on company finance in the future and contingency plans:

The overall economic environment in year 2019 was severely affected by China–United States trade war. But the current profitability of APEX has improved, it is expected that it will not meet significant risk on finance. APEX will work hard to control risks and maintain operating stability.

7.3 Cash Flow

7.3.1 Analysis of cash flow changes in the most recent year

Unit: NT\$ thousand; %

Item \ Year	2017	2018	Ratio of Increase (Decrease)
Operating Activities	921,018	860,711	(6.55)
Investment Activities	(764,634)	(495,529)	(35.19)
Fundraising Activities	(84,531)	(280,164)	231.43

Explanation for major changes of item:

1. Decrease of cash inflow from Operating Activities: Mainly because of the increase of

- inventories and decrease of restricted bank deposits and accounts payable in 2018.
- Decrease of cash outflow from Investment Activities: Mainly because the final stage in the third phase of expansion of Apex's new plant is completed in the third quarter of 2017, the amount of purchases of real estate, plant and equipment of 2018 is decreased
 - Increase of cash outflow from Financing Activities: Mainly because of repayment of long-term debt in 2018.

7.3.2 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.

7.3.3 Analysis of cash liquidity in the coming year

Unit: NT\$ million

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
410	1,612	(1,741)	282	-	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, bank loans will be applied when the cash balance is insufficient.

7.4 Influence on Financial Operations from Significant Capital Expenditure in the Most Recent Year

7.4.1 Purposes of significant capital expenditure and sources of funds

Unit: NT\$ million

Plan Item	Sources of Funds	Completion Date	Year	
			2018	2019
Stage 2-2	Operating funds, 2014 fundraising and bank loans	2016 Q4	31	-
Stage 2-3	Operating funds, 2014 fundraising and bank loans	2017 Q3	182	-
Upgrade automatic equipment	Operating funds and bank loans	2018 Q4	292	200
Phase II of the new plant	Operating funds and bank loans	2020 Q4	-	138

7.4.2 Expected effects

Expansion of new plants of 2-2, 2-3 and additions and replacement of production equipment increase the production capacity for 670,500 square meters after year 2017 and the output value increases NT\$1,269,918 thousands. The effect is fair. The investment in Phase II is for adding capacity in the future. The investment generated in 2019 is mainly for the start-up of the plant construction. It is expected that after the completion of the plant, the machine will be divided into three stages after the completion of the plant, which will

bring revenue and profit growth momentum.

7.5 Reinvestment Conducted in the Most Recent Year

Unit: NT\$ thousand

Description	Item Policy	Profit Amount Recognized	Main cause of profit gain or loss	Improvement Plan	Other Future Investment Plans
APT	Production and sales of PCB	861,280	Decent management and operating efficiency	None	None
AET	Supply chain consolidation	4,156	Decent management and operating efficiency	None	None
APC	Import and export of PCB	(21)	APEX has not yet been benefited from development orders.	In 2017 Q4, Apex decided to stop the operation of this subsidiary. The cancellation procedure has not been completed as of the date of the annual report.	None

Investment plan for the next year: The company expects that there is no major reinvestment plan in the coming year.

7.6 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 2018, Apex's interest income respectively accounted for 0.04% of Apex's annual operating revenue whereas the interest expenses respectively made up 0.92% 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 2018 the net exchange profit was NT\$ 81,708 thousands, accounting for 0.73% 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 2018	Pre-purchased forward exchange contracts	Contract Amount USD 12,800

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
IOT for drilling process	2019 Q4	The drilling machine automatically obtains the production parameters and records the process on the server according to the production item number.	Planning and investigating	USD 0.5 million
Auto printing function for solder mask process and faster changing ability	2020 Q3	Automatic positioning of printing tools	Planning and investigating	USD 0.6 million
Lab for reliability ability	2020 Q2	Passed ISO17025:2015 Reliability Test Lab Certification	Constructing	USD 3 million
Develop the high reliability automotive board production process	2020 Q3	Develop production process for highly reliable automotive panels	Investigating	USD 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:

(1) 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.

(2) IT Security , likely risk and countermeasures:

The Company has established a computerized information system management and management system and implemented an information security management system in accordance with Article 9 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" to regulate the company's information security and security measures, and to conduct regular information. Safety risk assessment and operation review, internal and external information security audit operations, etc., to ensure the effectiveness of the information management system and comply with the laws and regulations. The management department is responsible for the information security management work.

Information security related management focuses on: personnel security and management, education and training, computer system security management, computer storage media security management, network security management, system access control, information asset security management, system development and maintenance security management , physical and environmental security management, information security audit.

In the most recent year and the end of the annual report, no major cyberattacks or incidents have been discovered, which have or may have a material adverse effect on the company's business and operations, and have not been involved in any legal cases or regulatory investigations related to this. There is no significant operational risk in assessing information security. However, the company cannot guarantee perfect network and computer security protection measures, can completely avoid any third-party system cyber attacks. The company will maintain close contact with professional insurance companies to understand the relevant information of the insurance and security insurance. In the future, it will consider whether to insure according to the needs

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 October 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:
Apex expects to start the construction of new plant in 2019. It is expected that the new monthly production capacity will be between 100,000 and 150,000 square meters, which is expected to bring growth to revenue and profit. The risks and possible measures that may be faced are:
 - (1) The overall economic environment is uncertain: APEX's annual production capacity accounts for a relatively low proportion on the global PCB board demand. Therefore, the company will actively develop new customers and make use of the current plant to sample and verify for new customers.
 - (2) Financial risks caused by investment: The Company's current production improvement has become stable and will continue to dedicate to factory production control to maintain current profitability. Under the estimation of current profitability, the company has the ability to support by its own working capital and bank loans to face the newly added investment.
9. Likely risk from concentration of suppliers and sales and countermeasures:
 - (1) 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.
 - (2) 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 two 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.
12. Litigation or non-litigation events: None
13. Other important risks and countermeasures:
Risks associated with the overall economy, changes in the political and economical environments, related regulations, exchange control and recognition of R.O.C. 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. 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, 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.

- 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 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 R.O.C.

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 R.O.C. 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 R.O.C. regulations that are applicable to foreign issuers.

However, the regulation and stock exchange system differences between the Cayman Islands and the R.O.C. 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 R.O.C. court decisions or file lawsuits or claims with a court in the Cayman Islands, the court in the Cayman Islands will not necessarily recognize R.O.C. 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 (2018) . 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 bahts 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 Yinglax 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 3.4%, 2017 GDP growth rate is 4.0% and 2018 GDP growth rate is 4.1%, "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 October 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 R.O.C. court decisions on civil cases

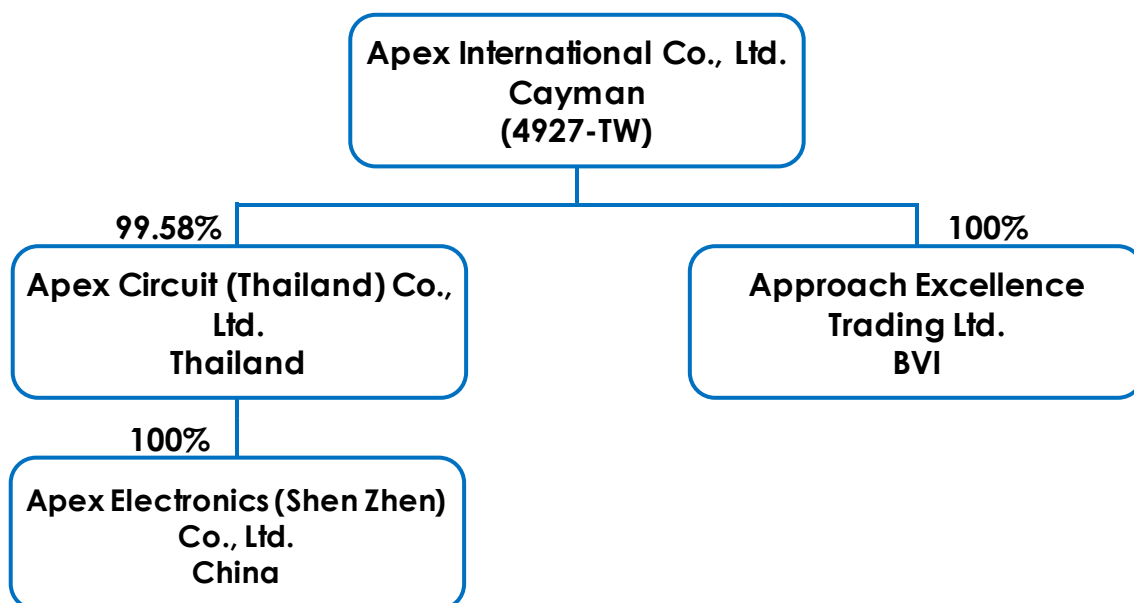
Recognition and execution of R.O.C. court decisions is not specified in the Civil Procedure Code of Thailand or the 1938 Private International Law and so far Thailand has not signed any international treaties or agreements with regard to recognition and execution of the court decisions of the R.O.C. 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.

8. Additional Information

8.1 Information on Affiliates

8.1.1 Organization charts of affiliates

Dec. 31, 2018



- API is mainly a holding company and conducts no actual business activities
- APT is 99.58% owned by API. It was founded in September, 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.
- On November 13, 2017, the Board decided to close down APC, a subsidiary of the Group, due to a shift in operating strategy. All of APC's shares had been transferred back to the Group on April 4, 2019. As of the reporting date, the liquidation process has yet to be completed.
- AET is a wholly-owned subsidiary of API. A Taiwan branch was set up to be in charge of procurement of machine equipment and raw materials and shipment in the Taiwan area.

8.1.2 Name, date of establishment, address, paid-in capital and main business items of each affiliate

Dec. 31, 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. Box 438, Road Town, Tortola, British Virgin Islands	NT\$ 10,000,000	Import and export business

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business of Production Items
Apex Electronics (Shen Zhen) Co., Ltd. (Note)	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

Note : On November 13, 2017, the Board decided to close down APC, a subsidiary of the Group, due to a shift in operating strategy. All of APC's shares had been transferred back to the Group on April 4, 2019. As of the reporting date, the liquidation process has yet to be completed.

8.1.3 Controlling-subordinate relationships assumed according to Article 360-3 of the Company Act: None

8.1.4 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. (Note)	Main business operations include Printed circuit boards wholesaling, import and export business.	Development of Chinese domestic market

Note : On November 13, 2017, the Board decided to close down APC, a subsidiary of the Group, due to a shift in operating strategy. All of APC's shares had been transferred back to the Group on April 4, 2019. As of the reporting date, the liquidation process has yet to be completed.

8.1.5 Names of directors and general manager of each affiliate and their shareholding or capital contribution

Dec. 31, 2018

Name of Enterprise	Title	Name or Representative	Shareholding	
			No. of Shares	Shareholding Ratio (%)
Apex Circuit (Thailand) Co., Ltd.	Chairman	Wang, Shu Mu (also as CSO)	11	0.00
	Director and CEO	Chou, Jui Hsiang (also as CEO)	0	0.00
	Director	Lan, Chai Chen (Note 1)	0	0.00
	Director	Maliwan Chinvorakijul	0	0.00
	Director	Greg Lucini	0	0.00
	Independent Director	Jesadavat Priebjrivat	0	0.00
	Independent Director	Thong chai Nitithum	0	0.00

Name of Enterprise	Title	Name or Representative	Shareholding	
			No. of Shares	Shareholding Ratio (%)
Approach Excellence Trading Ltd.	Chairman	Wang, Shu Mu	0	0.00
	Manager	Hus, Shou Hua	0	0.00
Apex Electronics (Shen Zhen) Co.,Ltd (Note 2)	Director	Li, Zhe	0	0.00
	Supervisor	Hus, Shou Hua	0	0.00
	General Manager	Lee, Shun Chung	0	0.00

Note 1: Mr. Chai-Chen Lan resigned as a director on December 31, 2018.

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. All of APC's shares had been transferred back to the Group on April 4, 2019. As of the reporting date, the liquidation process has yet to be completed.

8.1.6 Business status of affiliates

Dec. 31, 2018; 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 12,558,077	THB 5,633,925	THB 6,924,152	THB 11,976,313	THB 915,568	THB 926,924	THB 6.45
Approach Excellence Trading LTD.	NT\$ 10,000	NT\$ 57,679	NT\$ 44,667	NT\$ 13,012	NT\$ 126,556	NT\$ 3,565	NT\$ 3,794	NT\$ 0
Apex Electronics (Shen Zhen) Co.,Ltd (Note)	RMB 5,000	RMB 143	RMB 146	RMB (289)	RMB 0	RMB (5,119)	RMB (4,680)	RMB 0

Note : On November 13, 2017, the Board decided to close down APC, a subsidiary of the Group, due to a shift in operating strategy. All of APC's shares had been transferred back to the Group on April 4, 2019. As of the reporting date, the liquidation process has yet to be completed.

8.1.7 The consolidated financial statement of affiliates: Please refer to appendix.

8.1.8 Affiliation report: None

8.2 Private Placement Securities None

8.3 Company Shares Held or Disposed of by Subsidiaries None

8.4 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 September, 2017 (hereinafter "Shareholders' Rights Protection Checklist"). Apex intends to amend the M&A at the regular shareholders' meeting of 2019 to include the latest requirements of Shareholders' Rights Protection Checklist for the protection of shareholders' rights and interests as amended in November 2018. 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 R.O.C., 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%

of 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.

8.5 Other Necessary Supplementary Explanations

8.5.1 Apex doesn't have uncompleted commitment to requirement of listing.

8.5.2 Continuing education and training of directors and management in 2018

Title/Name	Date	Organizer (Note)	Course Name	Course Hours	Education Meets Regulations or not
Chairman Shu-Mu Wang	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Director & General manager Jui-Hsiang Chou	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Director Yung-Yuan Cheng	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Director Shun-Chung Lee	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Director & Vice President Sen-Tien Wu	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Director Somkiat Krajangjaeng	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Independent Director Chau-Chin Su	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Independent Director Yung-Tsai Chen	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Independent Director Jesadavat Priebjivat	2018.06.15	TCGA	Investigation & Trial Practice of Insider Trading: Take TLDC as an Example	3	Yes
			Review & negotiation of important business contracts of the company	3	
Accounting managerial	2018.12.27	ARDF	Internal Control and Audit Practice of "Cost saving" and "Competitive	12	Yes

Title/Name	Date	Organizer (Note)	Course Name	Course Hours	Education Meets Regulations or not
Personnel Shou Hua Hsu	~12.28		strategy" for the company		
Assistant General Manager Hsin-Wang Yang	2018.07.31	ARDF	Internal Control and Audit Practice under newly IFRS 16	6	Yes
	2018.11.05	ARDF	Internal Control and Audit Practice of "Cost saving" and "Competitive strategy" for the company	6	Yes

Note: TCGA - Taiwan Corporate Governance Association

ARDF - Accounting Research and Development Foundation

8.5.3 The Company evaluates the independence of CPAs in 2018 are as follows :

**Apex International Co., Ltd.
Evaluation of CPAs' independence**

■ CPA Min-Ju Chao and CPA Ya-Lin Chen

No.	Evaluation Item	Yes	No
1	Not an employee of the company or any of its affiliates.	v	
2	Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, 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.	v	
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 any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.	v	
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.	v	
5	Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.	v	
6	Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.	v	
7	Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	v	
8	Not been a person of any conditions defined in Article 30 of the Company Act.	v	
9	Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	v	
10	Other information : Auditor's Independence Declaration.	v	

■ After the evaluation, CPAs have not been or were not any of the evaluation item, and therefore confirmed CPAs' independence, and the reliability of the financial report issued is flawless.

8.6 Matters of Critical Influence on Shareholders' Rights and Interests as Described in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act None

9. Appendix

2018 Financial Statements

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

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

Consolidated Financial Statements

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

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802
West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208

Telephone: 66-34-490537-40

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~13
(4) Summary of significant accounting policies	13~29
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	29
(6) Explanation of significant accounts	30~63
(7) Related-party transactions	64~65
(8) Pledged assets	65
(9) Significant commitments and contingencies	65~66
(10) Losses due to major disasters	66
(11) Subsequent events	66
(12) Other	66
(13) Other disclosures	
(a) Information on significant transactions	67~68
(b) Information on investees	68
(c) Information on investment in mainland China	68
(14) Segment information	69~70



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

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Apex International Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgments, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures included:

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

2. Impairment of accounts receivable

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures included:

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

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

3. Subsequent measurements of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures included:

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters significant in our audit of the consolidated financial statements for the years ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

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

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
11xx Current assets:								
1100 Cash and cash equivalents (note 6(a))	\$ 410,268	3	247,564	2	2100	1,287,170	11	1,195,048
1110 Financial assets measured at fair value through profit or loss -- current (note 6(b))	4,401	-	378	-	2120	191	-	172
1170 Accounts receivable, net (note 6(e))	3,643,989	30	3,078,106	28	2170	2,283,616	19	2,186,430
1200 Other receivables (note 6(d))	42,988	-	66,075	1	2200	427,934	4	398,120
130x Inventories (note 6(c))	1,652,363	14	1,390,931	12	2213	228,758	2	292,909
1479 Other current assets	61,431	1	51,278	-	2230	872	-	9,012
Total current assets	5,815,440	48	4,834,332	43	2321	609,649	5	-
15xx Non-current assets:								
1510 Financial asset measured at fair value through profit or loss -- non-current (note 6(j))	170	-	-	-	2322	262,348	2	546,402
1600 Property, plant and equipment (note 6(i), 8, and 9)	6,260,130	52	6,319,396	57	2325	149,677	1	167,575
1780 Intangible assets (note 6(g))	37,879	-	16,280	-	2330	19,883	-	13,777
1840 Deferred tax assets (note 6(n))	12,227	-	10,595	-	2339	-	-	-
1915 Prepayment for equipment	7,364	-	21,360	-	25xx	-	-	-
1920 Refundable deposits	8,137	-	8,256	-	2530	44,946	-	596,110
1980 Other financial assets -- non-current (note 8)	-	-	20,894	-	2530	584,764	5	1,021,916
Total non-current assets	6,325,907	52	6,396,781	57	2570	122,606	1	262,587
Total assets	\$ 12,141,347	100	11,231,113	100	2613	42,025	-	30,627
					2670	862,334	7	2,018,316
					2xxx	6,132,452	51	6,827,761
Liabilities and Equity					31xx	1,702,295	14	1,445,180
Current liabilities:					3110	1,944,448	16	1,652,256
Short-term loans (notes 6(h), 7, 8 and 9)					3200	2,331,889	19	1,499,002
Financial liabilities measured at fair value through profit or loss -- current (notes 6(b))					3300	2,661	-	(216,966)
Accounts payable					3410	5,981,293	49	4,379,472
Other payables (note 7)					36xx	27,602	-	23,880
Payable for machinery and equipment					3xxx	6,008,895	49	4,403,352
Current tax liabilities					2-3xxx	12,141,347	100	11,231,113
Current portion of convertible bonds payable (notes 6(i) and (o))								
Current portion of long-term loans (notes 6(i), 7, and 8)								
Current portion of liabilities under finance leases (notes 6(k) and 8)								
Other current liabilities								
Total current liabilities								
Non-current liabilities:								
Convertible bonds payable (notes 6(j) and (o))								
Long-term loans (notes 6(i), 7, and 8)								
Deferred tax liabilities (note 6(n))								
Long-term payable								
Liabilities under finance leases (notes 6(k) and 8)								
Other non-current liabilities (notes 6(k) and (m))								
Total non-current liabilities								
Total liabilities								
Equity attributable to owners of parent (notes 6(j), (m), (n) and (o)):								
Common stock								
Capital surplus								
Retained earnings								
Exchange differences on translation of foreign financial statements								
Total equity attributable to owners of parent								
Non-controlling interests								
Total equity								
Total liabilities and equity								

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Special reserve	Retained earnings	Exchange differences on translation of foreign operation	Total			
Balance at January 1, 2017	\$ 1,225,950	1,483,703	213,473	1,342,749	1,556,222	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	376	83,300	
Total comprehensive income	-	-	-	77,634	77,634	160,924	820	161,744	
Issue of shares	180,000	168,220	-	-	-	348,220	-	348,220	
Changes in ownership interests in subsidiaries	-	333	-	-	-	333	(333)	-	
Balance at December 31, 2017	1,445,180	1,652,256	300,256	1,198,746	1,499,002	4,379,472	23,880	4,403,352	
Profit	-	-	-	829,425	829,425	829,425	3,633	833,058	
Other comprehensive income	-	-	-	3,462	3,462	219,627	944	224,033	
Total comprehensive income	-	-	-	832,887	832,887	1,052,514	4,577	1,057,091	
Conversion of convertible bonds	257,115	264,652	-	-	-	521,767	-	521,767	
Equity component from convertible bonds issued	-	27,540	-	-	-	27,540	-	27,540	
Changes in non-controlling interests	-	-	-	-	-	-	(855)	(855)	
Balance at December 31, 2018	\$ 1,702,295	1,944,448	300,256	2,031,633	2,331,889	5,981,293	27,602	6,008,895	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

(Continued)

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(i) IFRS 9 “Financial Instruments”

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

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

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

(Continued)

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

3) Transition

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

- Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

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

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

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

(Continued)

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

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

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

(iii) Amendments to IAS 7 “Disclosure Initiative”

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

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

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

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

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

Except IFRS 16 “Leases”, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

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

(Continued)

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

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

(i) Determining whether an arrangement contains a lease

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

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

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

(ii) Transition

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

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

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

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

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

(Continued)

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

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

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(4) Summary of significant accounting policies:

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

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

- (a) Statement of compliance

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

(Continued)

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

(b) Basis of preparation

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

The Company's subsidiaries were as follows:

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

(Continued)

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

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

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

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

(Continued)

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

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

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

The Group shall classify an asset as current when:

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

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

The Group shall classify a liability as current when:

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

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

(f) Cash and cash equivalents

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

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

(Continued)

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

(g) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

Loss allowance for bank balances is measured by 12-month ECL for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

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

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

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

(Continued)

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

4) Derecognition of financial assets

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

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

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

1) Financial assets at fair value through profit or loss

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

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

2) Receivables

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

3) Impairment of financial assets

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

(Continued)

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

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

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

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

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

4) **Derecognition of financial assets**

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

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

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

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

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

(Continued)

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

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

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

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

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

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

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

2) Financial liabilities at fair value through profit or loss

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

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

(Continued)

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

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

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

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

(h) Inventories

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

(Continued)

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

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

(i) Property, plant and equipment**(i) Recognition and measurement**

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

(Continued)

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

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

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

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

(j) Lease—lessee

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

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

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

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

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

(Continued)

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

(k) Intangible assets

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

(i) Subsequent expenditure

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

(ii) Amortization

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

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

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

(l) Impairment—non-derivative financial assets

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

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

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

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

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

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

(Continued)

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

(m) Recognition of Revenue

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

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

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

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

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

(Continued)

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

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

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

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

(iii) Other long-term employee benefits

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

(iv) Short-term employee benefits

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

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

(Continued)

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

(o) Income taxes

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

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

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

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

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

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

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

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

(Continued)

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

(p) Earnings per share

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

(q) Segment information

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

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

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

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

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

(a) The loss allowance of accounts receivable

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

(b) Subsequent measurements of inventories

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

(Continued)

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

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

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

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

Forward exchange contracts:

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

(Continued)

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

(c) Accounts receivable

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

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

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

The Group's changes in the loss allowance of its accounts receivable are as follows:

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

(d) Other receivables

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

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

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

(e) Inventories

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

(Continued)

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

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

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

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

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

(f) Property, plant and equipment

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

Cost:	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 January 1, 2018	\$ 318,861	7,468	1,949,895	6,377,653	9,836	346,092	895,194	11,751	98,560	10,015,310
Additions	-	-	78,372	192,341	2,634	49,601	-	766	74,207	397,921
Disposals	-	-	(1,166)	(248,915)	(2,494)	(4,967)	-	(330)	-	(257,872)
Reclassification	-	-	6,781	373,876	-	997	(286,776)	-	(95,998)	(1,120)
Translation effect	11,774	276	73,445	240,953	366	13,504	28,141	364	3,265	372,088
Balance at December 31, 2018	\$ 330,635	7,744	2,107,327	6,935,908	10,342	405,227	636,559	12,551	89,034	10,526,327
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	\$ 318,861	7,468	1,949,895	6,377,653	9,836	346,092	895,194	11,751	98,560	10,015,310

(Continued)

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

	Land	Land improvement	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased equipment	Leasehold improvement	Unfinished construction and equipment undergoing acceptance testing	Total
Accumulated depreciation and impairment losses:										
Balance at January 1, 2018	\$ -	2,291	534,325	2,760,998	8,840	189,516	192,905	7,039	-	3,695,914
Depreciation	-	782	107,355	511,962	1,482	36,109	-	1,819	-	659,509
Impairment loss	-	-	-	896	-	-	-	-	-	896
Disposals	-	-	(128)	(226,369)	(2,494)	(4,478)	-	(330)	-	(233,799)
Reclassification	-	-	-	92,021	(355)	-	(91,666)	-	-	-
Translation effect	-	98	21,571	108,448	304	7,489	5,552	215	-	143,677
Balance at December 31, 2018	\$ -	3,171	663,123	3,247,956	7,777	228,636	106,791	8,743	-	4,266,197
Balance at January 1, 2017	\$ -	1,545	426,617	2,309,625	7,640	159,796	134,454	5,160	-	3,044,837
Depreciation	-	734	99,014	479,048	1,568	32,598	-	1,788	-	614,750
Impairment loss	-	-	-	483	-	-	-	-	-	483
Disposals	-	(25)	(25)	(17,882)	(170)	(5,911)	-	-	-	(24,013)
Reclassification	-	-	-	(54,878)	(341)	-	55,219	-	-	-
Translation effect	-	37	8,719	44,602	143	3,033	3,232	91	-	59,857
Balance at December 31, 2017	\$ -	2,291	534,325	2,760,998	8,840	189,516	192,905	7,039	-	3,695,914
Carrying amount:										
Balance at December 31, 2018	\$ 330,635	4,573	1,444,204	3,687,952	2,565	176,591	529,768	3,808	80,034	6,260,130
Balance at December 31, 2017	\$ 318,861	5,177	1,415,570	3,616,655	996	156,576	702,289	4,712	98,560	6,319,396
Balance at January 1, 2017	\$ 313,914	4,281	1,457,209	3,338,705	1,898	152,501	719,796	5,679	183,665	6,177,648

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

	2018	2017
Impairment loss	\$ 896	483

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

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

(g) Intangible assets

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

(Continued)

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

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

(h) Short-term loans

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

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

(i) Long-term loans

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

(Continued)

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

(i) Collateral for loans

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

(ii) Loan contract

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

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

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

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

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

2) The Company entered into separate agreements with several banks in Taiwan, the main commitment clauses in the contract are as follows:

- a) The current ratio (current asset/current liability) must exceed 80%.
- b) The debt ratio (liability/tangible net asset) cannot exceed 180% or 200%.
- c) The tangible net worth must exceed TWD \$3.8 billion or \$4.0 billion.
- d) The shareholding percentage of the subsidiary of the Company, Apex Circuit (Thailand), shall be maintained at a certain level.

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

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

(Continued)

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

(j) Corporate bonds payable

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

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.

(Continued)

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

The second unsecured convertible bonds

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

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

- 4) Conversion period:

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

(Continued)

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

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

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

- 6) Bondholders' put option:

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

- 7) Conversion price and adjustment:

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

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

(Continued)

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

The third unsecured convertible bonds

1) Coupon rate: 0%.

2) Issue period: 3 years (May 7, 2018, to May 7, 2021)

3) Repayment term:

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

4) Conversion period:

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

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

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

6) Bondholders' put option:

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

7) Conversion price:

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

(Continued)

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

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

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

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

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

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

(k) Finance lease liabilities

The details of finance lease liabilities are as follows:

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

(Continued)

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

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

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

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

(l) Operating leases

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

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

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

Operating lease expenses were as follows:

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

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

(Continued)

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

(m) Employee benefits

(i) Defined benefit plans

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

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

1) Movements in present value of the defined benefit obligations

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

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

2) Expenses recognized in profit or loss

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

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

(Continued)

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

- 4) Actuarial assumptions

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

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

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

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

- 5) Sensitivity analysis for actuarial assumption

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

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

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

(Continued)

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

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

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

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

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

(i) Long-term employee benefit plan

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

(n) Income taxes

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

(Continued)

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

(i) Income tax expense

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

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

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

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

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

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

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

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

(Continued)

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

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

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

2) Recognized deferred tax assets and liabilities

Deferred tax liabilities:

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

Deferred tax assets:

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

(Continued)

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

(iii) Examination and approval

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

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

(o) Share capital and other equity

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

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

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

(i) Issuance of common stock

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

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

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

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

(Continued)

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

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

(ii) Capital surplus

The balance of capital surplus was as follows:

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

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

(iii) Retained earnings

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

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

(Continued)

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

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

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

(iv) Special reserve

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

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

(v) Distribution of earnings

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

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

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

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

(Continued)

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

(p) Earnings per share

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

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

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

(q) Revenues from contracts with customers

(i) Disaggregation of revenue

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

(Continued)

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

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

(ii) Remaining balances of contracts

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

(r) Revenue

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

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

(s) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

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

(ii) Other gains and losses

The details of other gains and losses are as follows:

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

(Continued)

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

(iii) Finance cost

The details of finance cost are as follows:

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

(t) Financial instruments

(i) Credit risk

1) Risk exposure

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

2) Concentration of credit risk

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

3) Credit risk of accounts receivable

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

(Continued)

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

(ii) Liquidity risk

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

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

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

(Continued)

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

(iii) Currency risk

1) Currency risk exposure

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

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

2) Sensitivity analysis

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

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

3) Exchange gains and losses on monetary items

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

(iv) Interest rate analysis

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

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

(Continued)

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

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

(v) Fair value information

1) Categories and fair value of financial instruments

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

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

(Continued)

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

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

(Continued)

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

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

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

- i) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: cash and cash in bank, accounts receivable (including related parties), other receivables and payables (including related parties), refundable deposits, 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.

(Continued)

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

b) Derivative financial instruments

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

(u) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

(Continued)

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

1) Receivables and other receivables

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

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

2) Investments

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

3) Guarantees

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

(iv) Liquidity risk

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

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

(Continued)

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

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

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

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

(v) Capital management

The Group manages capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

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

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

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

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

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

(Continued)

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

The quantitative data for Apex Circuit (Thailand), a subsidiary of the Company, used as a capital management tool in the relevant periods are summarized below:

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

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

(w) Non-cash investing and financing activities

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

Reconciliation of liabilities from financing activities are as follows:

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

(Continued)

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

(7) Related-party transactions:

(a) Parent Company and ultimate controlling party

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

(b) Names and relationship with related parties

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

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

(c) Significant transactions with related parties

(i) Payables

The amounts of payables to related parties were as follows:

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

(ii) Guarantee

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

(iii) Leases

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

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

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

(Continued)

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

(d) Management personnel compensation

Key management personnel compensation comprised:

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

(8) Pledged assets:

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

(9) Significant commitments and contingencies:

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

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

(Continued)

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

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

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

(c) Guarantees provided by banks were as follows:

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

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

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

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

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

(Continued)

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

(13) Other disclosures:**(a) Information on significant transactions:**

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

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

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

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

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

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

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

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

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

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

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

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

Note 2: 1. Parent company to subsidiary company.

2. Subsidiary company to parent company.

3. Subsidiary company to subsidiary.

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

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

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

(Continued)

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

(x) Business relationships and significant intercompany transactions:

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

Note 1: 1. 0 represents parent company.

2. 1 and thereafter represent subsidiary companies.

Note 2: 1. Parent company to subsidiary company.

2. Subsidiary company to parent company.

3. Subsidiary company to subsidiary company

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

(b) Information on investees:

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

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

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

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

(c) Information on investment in mainland China:

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

Unit: in thousands of dollars

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

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

(1) Direct investment in Mainland China.

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

(3) Other methods.

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

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

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

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

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

(iii) Significant transactions: None.

(Continued)

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

(14) Segment information:

(a) General information

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

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

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

(Continued)

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

(b) Product and service information

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

(c) Geographic financial information

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

Export sales

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

Non-current assets:

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

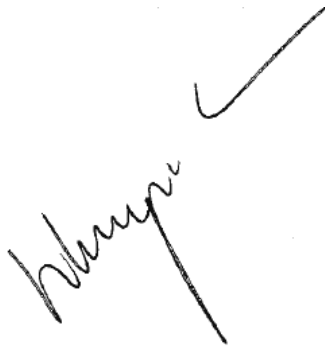
Non-current assets include property, plant and equipment, intangible assets, and prepayment for equipment, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Information on major customers

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

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

APEX INTERNATIONAL CO., LTD.
Chairman Shu-Mu Wang

A handwritten signature in black ink, appearing to read 'Shu-Mu Wang', with a checkmark-like flourish at the end.