



Apex International Co., Ltd.

2019 Annual Report (Translation)

(The Annual Report is 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 Annual Report, 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>

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Deputy Spokesperson

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Auditing CPAs in the Most Recent Year

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Overseas Stock Exchange : None

Board Members

Title/ Name	Nationality	Experience
Chairman Shu-Mu Wang	R.O.C.	Chairman, Apex International Co., Ltd. Chairman & Chief Strategy officer, Apex Circuit(Thailand) Co., Ltd. Chairman, Approach Excellence Trading Ltd.
Director Jui-Hsiang Chou	R.O.C.	Director & General manager, Apex International Co., Ltd. Director & Chief Executive Officer, Apex Circuit (Thailand) Co., Ltd.
Director Yung-Yuan Cheng	R.O.C.	Director, Apex International Co., Ltd. Executive Vice President, Apex Circuit (Thailand) Co., Ltd. Chief Operating Officer & Chief Procurement Officer, Apex Circuit (Thailand) Co., Ltd.
Director Shun-Chung Lee	R.O.C.	Director, Apex International Co., Ltd. Chief Business Officer & Vice President, Apex Circuit (Thailand) Co., Ltd.
Director Sen-Tien Wu	R.O.C.	Director, Apex International Co., Ltd. Chief Strategy Officer & Vice President, Apex International Co., Ltd.
Director Somkiat Krajangjaeng	Thailand	Director, Apex International Co., Ltd. Vice President, Apex Circuit (Thailand) Co., Ltd.
Director Tu-Chuan Chen	R.O.C.	Director, Apex International Co., Ltd. Chief Technology Officer, Apex Circuit (Thailand) Co., Ltd.
Director Chao-Ting Lin	R.O.C.	Director, Apex International Co., Ltd. Chief Operating Officer, 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 Priebjivat	Thailand	Independent Director, Apex International Co., Ltd. Independent Director, Apex Circuit (Thailand) Co., Ltd. Chairman & 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
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1. Letter to Shareholders

Dear Shareholders,

The Senior Management Team is here to report the operating result of 2019 by this report. Apex extended projects of cost control from 2018, continued to improve manufacturing efficiency and cost management that made our margin improved even though revenue was reduced by China-US and Japan-Korea trade wars. 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 our stakeholders.

1.2019 Business Report

(1) Results of Business Plans Implemented

Amount unit: NT \$million	2019		2018		Change %
	Amount	% to sales	Amount	% to sales	
Total income	10,387	100%	11,175	100%	-7%
Cost of goods sold	8,417	81%	9,354	84%	-10%
Gross Profit	1,970	19%	1,821	16%	8%
Operating income	841	8%	835	7%	1%
Interest Expenses	70	1%	103	1%	-32%
Income before tax	846	8%	841	8%	1%
Net income	831	8%	833	7%	0%

China-US trade war went to deteriorate in 2019 which resulted in global demand slow. Besides, Japan-Korea trade war came after and led our Korean customers re-arranged demand schedule. Those events made our revenue drop slightly comparing to last year. In the same time, changed situation of macroeconomic environment also harmed export business. Under such background, Apex still generated improved margin because of cost management and unstoppable improvement of manufacturing efficiency.

(2) Budget Implementation

Actual sales amount in 2019 was NT\$ 10.4 billion which is 85% of budgeted number 12.2 billion that made achievement percentage of net profit after tax to be 81%.

(3) Financial Structure

Financial Ratio	2019	2018
Debt ratio (%)	36.95%	50.50%
Ratio of long-term capital to fixed assets (%)	137.39%	109.76%
Current ratio (%)	146.02%	110.34%
Receivables turnover ratio (time)	3.17	3.32

Financial Ratio	2019	2018
Inventory turnover ratio (time)	4.54	5.78
Return on assets ratio (%)	7.40%	7.83%
Return on equity ratio (%)	12.34%	16.00%
Earnings per share (NT dollar)	4.46	5.45

Accompanying continuous profit without significant capital expenditures in 2019, financial structure was improved apparently. Account receivable turnover rate slightly dropped because of reduce of revenue; inventory turnover rate changed because of higher stock volume at end of this year which was prepared for demand of first quarter of Y2020. Profitability slightly dropped because of that equity increased from converted shares of convertible bond.

(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 2019 are as follows:

- IOT for drilling process evaluation had been done
- Auto printing function for solder mask process and faster changing ability
- Lab for reliability ability ready for TCT / CAF / SIR / THB / Material thermal stress analysis

In 2020, Apex will carry out the following plans:

- Gold finger process developing
- MES system developing
- ISO 17025 Qualification of Reliability Lab

2.2020 Business Outlines

(1) Business Policies

- A. Concentration on the traditional rigid PCB from single-side to 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 competitors. Meanwhile, Apex will work hard to maintain competitiveness and progressively develop new customers. Although global demand may slow down caused by corona virus, we still anticipate our revenue could grow in this year.

(3) Production and Marketing Policy

Apex's monthly capacity will reach 580 thousand square meters in Y2020.

Our production policy is as follows:

- A. Maintain production at full capacity to help reducing fixed overhead and maximize profit
- B. Setting the standard usage to control high unit price materials
- C. Continue improving production capability including reduction of down time and increase output
- D. Production plan according to customers' order or firm plan
- E. Setting standard period to control work in process outstanding in each process not over 1 day
- F. Continue to investigate and analysis 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 2 on new products so as to improve her profit structure
- (3) Expand the strategic Korean business from the Home-Appliance Division in addition to what Apex has on the LCD-TV/STB today
- (4) Set up the in-house laboratory for future enhancement and assurance on the Apex PCB reliability
- (5) Keep factory with the constantly high loading rate of 90-95% on both Apex 1 and Apex-2-1/2-2 for best use of the layout capacity
- (6) Establish Product traceability system in order to provide better quality improvement information and risk management
- (7) Develop automatic process to provide consistence quality and reduce handling issued

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

(1) External Competitive Environment

Competition in the electronic industry has remained fierce and challenges from Chinese suppliers are especially tough. However, 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 complete edges will grow more obvious as time passes. Besides the objective advantage from the geographic location, strict cost and quality control has also created subjective advantages and enabled Apex to meet the demand and expectations of customers.

By keeping a close watch on market developments and competition situations, Apex is able to make various strategic plans in advance, continue to exhibit its strong execution capacity, make precise estimates of customers' orders, and implement its procurement tactics and production-marketing plans in the most efficient way. Looking at 2020, 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 2019, Apex successfully improved profit founded by her solid and long-term management culture. In 2020, our prior goals will be that to stabilize manufacturing ability, to cautiously control production cost and to keep capacity utilization staying at high level.

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

Apex International Co., Ltd.

Chairman

Shu-Mu Wang

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

Year	Important Group and Company Events
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.
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

Year	Important Group and Company Events
	<ul style="list-style-type: none"> ● Record high revenue of NT\$11.175 billion
2019	<ul style="list-style-type: none"> ● The Company signed a syndicated loan agreement. ● Subsidiary Apex Circuit (Thailand) Co., Ltd. obtaining Shye Feng Enterprise (Thailand) Co., Ltd. shares.

2.3 Group Structure

Please see 8.1.

2.4 Risk Management

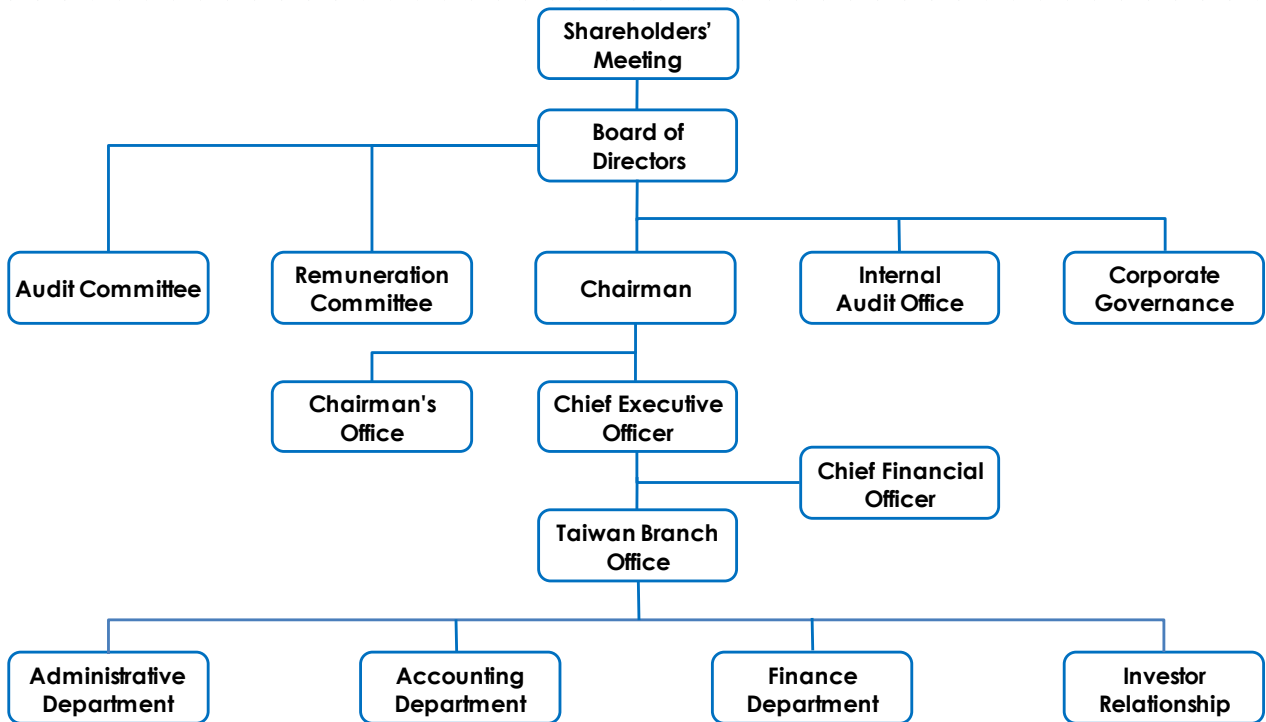
Please see 7.6.

3. Corporate Governance Report

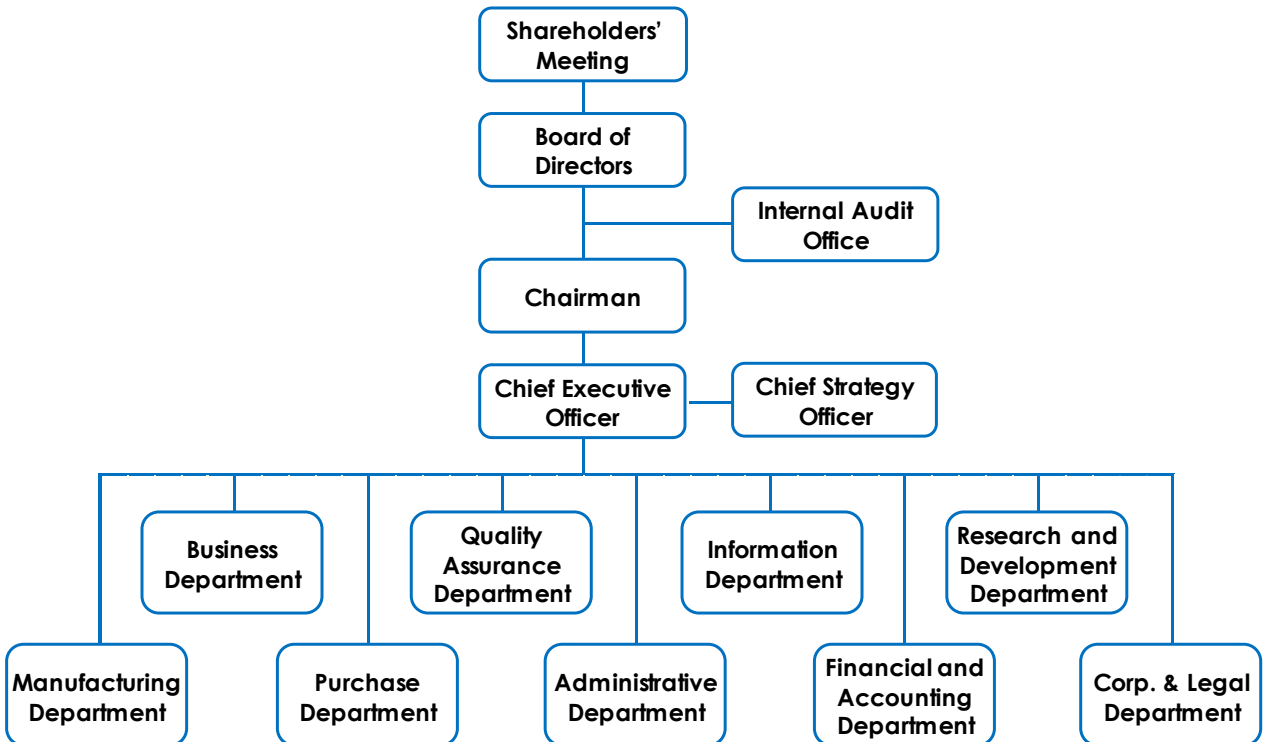
3.1 Organization

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>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 the Company to plan and implement the progress/performance, and report to BOD meeting in the end of every year.</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>
Research and Development Department	<p>Improvement of quality and production capacity, development of new technologies and collection of new technology information.</p>
Corp. & Legal Department	<p>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.</p>

Name of Department	Functions
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, 2020; 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	2019.06.05	3	2009.10.28	1,164,371	0.63	1,164,371	0.61	0	0.00	0	0.00	Dept. of Business Mathematics, SooChow University Chairman, Apex International Co., Ltd. Chairman & Chief Strategy officer, Apex Circuit(Thailand) Co., Ltd. Chairman, Approach Excellence Trading Ltd.	Chairman & Chief Strategy officer, Apex Circuit(Thailand) Co., Ltd. Chairman, Approach Excellence Trading Ltd. Chairman, Shye Feng Enterprise (Thailand) Co., Ltd.	None
Director Jui-Hsiang Chou	R.O.C.	Male	2019.06.05	3	2009.12.17	833,427	0.45	833,427	0.44	0	0.00	0	0.00	Dept. of International Business and Trade, Aletheia University Director & General Manager, Apex International Co., Ltd. Director & Chief Executive Officer, Apex Circuit (Thailand) Co., Ltd.	General Manager, Apex International Co., Ltd. Director & Chief Executive Officer, Apex Circuit (Thailand) Co., Ltd. Director, Shye Feng Enterprise (Thailand) Co., Ltd.	None
Director Yung-Yuan Cheng	R.O.C.	Male	2019.06.05	3	2009.12.17	645,166	0.35	645,166	0.34	0	0.00	0	0.00	Dept. of Applied Sciences Electronic Engineering, National Kaohsiung University Director, Apex International Co., Ltd. Chief Procurement Officer & Chief Operating Officer, Apex Circuit (Thailand) Co., Ltd.	Executive Vice President, Apex Circuit (Thailand) Co., Ltd.	None
Director Shun-Chung Lee	R.O.C.	Male	2019.06.05	3	2016.06.15	0	0.00	0	0.00	107,683	0.06	0	0.00	Dept. of Business Administration, National ChengChi University	Chief Business Officer & Vice President, Apex Circuit	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
														Director, Apex International Co., Ltd. Chief Business Officer & Vice President, Apex Circuit (Thailand) Co., Ltd.	(Thailand) Co., Ltd. Chief Business Officer, Shye Feng Enterprise (Thailand) Co., Ltd.	
Director Sen-Tien Wu	R.O.C.	Male	2019.06.05	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 & Chief Strategy Officer & Vice President, Apex International Co., Ltd.	Chief Strategy Officer & Vice President & Chief Corporate Governance Officer, Apex International Co., Ltd.	None
Director Somkiat Krajangjaeng	Thailand	Male	2019.06.05	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.	Vice President, Apex Circuit (Thailand) Co., Ltd.	None
Director Tu-Chuan Chen	R.O.C.	Male	2019.06.05	3	2019.06.05	300,000	0.16	300,000	0.16	0	0.00	0	0.00	Dept of Education Industrial Education, National Changhua University Chief Technology Officer, Apex Circuit (Thailand) Co., Ltd.	Chief Technology Officer, Apex Circuit (Thailand) Co., Ltd.	None
Director Chao-Ting Lin	R.O.C.	Male	2019.06.05	3	2019.06.05	0	0.00	0	0.00	0	0.00	0	0.00	Dept of Chemistry, Master of Science, National Tsing Hua University Assistant General Manager & Acting Chief Operating Officer, Apex Circuit (Thailand) Co., Ltd. Assist Manager, Manager, Deputy Plant Director of Pingchen plant, Tripod Technology Corporation	Chief Operating Officer, Apex Circuit (Thailand) Co., Ltd. Chief Operating Officer, Shye Feng Enterprise (Thailand) Co., Ltd.	None
Independent Director Chau-Chin Su	R.O.C.	Male	2019.06.05	3	2016.06.15	0	0.00	0	0.00	0	0.00	0	0.00	Doctor of Philosophy, University of Wisconsin-Madison, USA	Professor, Electrical and Computer Engineering, National	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
														Independent Director, Apex International Co., Ltd. Professor, Electrical and Computer Engineering, National Chiao Tung University	Chiao Tung University	
Independent Director Yung-Tsai Chen	R.O.C.	Male	2019.06.05	3	2016.06.15	40,744	0.02	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	Director, Celxpert Energy Corporation	None
Independent Director Jesadavat Priebjivat	Thailand	Male	2019.06.05	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 Administration, The George Washington University, USA Independent Director, Apex International Co., Ltd. Independent Director, Apex Circuit (Thailand) Co., Ltd. Chairman & Independent Director, Gratitute Infinite Public Co., Ltd. Independent Director, Sansiri Public Co., Ltd.	Independent Director, Apex Circuit (Thailand) Co., Ltd. Chairman & Independent Director, Gratitute Infinite Public Co., Ltd. Independent Director, Seamico Securities Public Co., Ltd. Independent Director, Sansiri Public Co., Ltd.	None

Note: Chairman and President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the company) are not the same person, in a marital relationship with each other, or within one degree of consanguinity.

Major shareholders of the institutional shareholders: Not applicable.

Major shareholders of the Company's major institutional shareholders: Not applicable.

Professional qualifications and independence analysis of Directors

Name	Criteria	Having over five years of work experience and the following qualifications			Level of Independence (Note)												Number of other listed companies where independent directorships are concurrently held	
		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	11	12		
Shu-Mu Wang				v			v	v	v	v	v	v	v	v	v	v	v	None
Jui-Hsinag Chou				v			v	v	v	v	v	v	v	v	v	v	v	None
Yung-Yuan Cheng				v			v	v	v	v	v	v	v	v	v	v	v	None
Shun-Chung Lee				v			v	v	v	v	v	v	v	v	v	v	v	None
Sen-Tien Wu				v			v	v	v	v	v	v	v	v	v	v	v	None
Somkiat Krajangjaeng				v			v	v	v	v	v	v	v	v	v	v	v	None
Tu-Chuan Chen				v			v	v	v	v	v	v	v	v	v	v	v	None
Chao-Ting Lin				v			v	v	v	v	v	v	v	v	v	v	v	None
Chau-Chin Su		v		v			v	v	v	v	v	v	v	v	v	v	v	None
Yung-Tsai Chen				v			v	v	v	v	v	v	v	v	v	v	v	None
Jesadavat Priebjivat				v			v	v	v	v	v	v	v	v	v	v	v	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 any of its affiliates.
- (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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent).
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.

(9) Other than serving as a compensation committee member of the company, not a professional individual who, or 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, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000".

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.

(11) Not been a person of any conditions defined in Article 30 of the Company Law.

(12) 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, 2020; 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 Chief Strategy officer Shu-Mu Wang	R.O.C.	Male	2002.06.01	1,164,371	0.61	0	0.00	0	0.00	SooChow University Business Mathematics Department Chairman, Apex International Co., Ltd. Chairman & Chief Strategy Officer, Apex Circuit(Thailand) Co., Ltd. Chairman, Approach Excellence Trading Ltd.	Chairman, Apex Circuit(Thailand) Co., Ltd. Chairman, Approach Excellence Trading Ltd. Chairman, Shye Feng Enterprise (Thailand) Co., Ltd.	None
General Manager & APT Chief Executive Officer Jui-Hsiang Chou	R.O.C.	Male	2006.05.02	833,427	0.44	0	0.00	0	0.00	Aletheia University International Business and Trade Department Director & General Manager, Apex International Co., Ltd. Director & Chief Executive Officer, Apex Circuit (Thailand) Co., Ltd.	Director, Apex Circuit (Thailand) Co., Ltd. Director, Shye Feng Enterprise (Thailand) Co., Ltd.	None
APT Executive Vice President Yung-Yuan Cheng (Note 3)	R.O.C.	Male	2007.05.21	645,166	0.34	0	0.00	0	0.00	National Kaohsiung University of Applied Sciences Electronic Engineering Department Director, Apex International Co., Ltd. Chief Procurement Officer & Chief Operating Officer, Apex Circuit (Thailand) Co., Ltd.	None	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 Chief Technology Officer, Apex Circuit (Thailand) Co., Ltd.	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 & APT CFO 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 Chief Finance Officer & Chief Accounting Officer, Apex Circuit (Thailand) Co., Ltd. Assistant Manager, Deloitte Taiwan	Chief Finance Officer, Shye Feng Enterprise (Thailand) Co., Ltd.	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	Department of Money and Banking, National ChengChi University Director & Chief Strategy officer & Vice President, Apex International Co., Ltd.	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	Department of Business Administration, National ChengChi University Director, Apex International Co., Ltd. Chief Business Officer & Vice President, Apex Circuit (Thailand) Co., Ltd.	Chief Business Officer, Shye Feng Enterprise (Thailand) Co., Ltd.	None
Assistant General Manager & APT Chief Procurement Officer Hsin-Wang Yang	R.O.C.	Male	2010.02.01	0	0.00	0	0.00	0	0.00	Department of Land Economics, National Chengchi University Audit Managerial Personnel, Apex International Co., Ltd. Revenue Officer, National Taxation Bureau of Taipei, Ministry of Finance	Chief Procurement Officer, Shye Feng Enterprise (Thailand) Co., Ltd.	None
APT Chief Operating Officer Chao-Ting Lin (Note 4)	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 Assistant General Manager & Acting Chief Operating Officer, Apex Circuit (Thailand) Co., Ltd. Assist Manager & Manager & Deputy Plant Director, Pingchen plant, Tripod Technology Corporation	Chief Operating Officer, Shye Feng Enterprise (Thailand) Co., Ltd.	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
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 Director, Apex International Co., Ltd. Vice President , Apex Circuit (Thailand) Co., Ltd.	None	None
APT Vice President Somma Phuengmi	Thailand	Male	2002.06.01	0	0.00	0	0.00	0	0.00	Department of Electrical Engineering, Southeast Asia University, Thailand Vice President, Apex Circuit (Thailand) Co., Ltd.	Manufacturing Vice President, Shye Feng Enterprise (Thailand) Co., Ltd.	None
APT Vice President Theptat Intaratat	Thailand	Male	2005.05.16	0	0.00	0	0.00	0	0.00	Kasetsart University, Bachelor degree in Accountancy , Thailand Vice President, Cost & MIS, Apex Circuit (Thailand) Co., Ltd.	None	None
APT Vice President Chun-Lung Huang	R.O.C.	Male	2013.09.01	30,000	0.02	0	0.00	0	0.00	Shih Chien University Business and Trade Department Business Deputy Manager, Pingchen plant, Tripod Technology Corporation	None	None

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

Note 2: President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the company) and Chairman are not the same person, in a marital relationship with each other, or within one degree of consanguinity.

Note 3: Position of this staff was changed from COO into Executive Vice President on November 15, 2019 due to the subsidiary of the company (APT) made an internal organization adjustment.

Note 4: Position of this staff was changed from Acting Chief Operating Officer of APT into COO of APT on November 15, 2019 due to the subsidiary of the company (APT) made an internal organization adjustment.

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

3.3.1 Remuneration Paid to Directors and 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 or Parent Company		
	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					
Directors	Chairman Shu-Mu Wang																						
	Director Jui-Hsiang Chou																						
	Director Yung-Yuan Cheng																						
	Director Shun-Chung Lee	0	0	0	0	0	0	0	0	0	2,747	22,410	0	0	0	0	0	0	0.33	2.71	None		
	Director Sen-Tien Wu																						
	Director Somkiat Krajangjaeng																						
	Director (Note) Tu-Chuan Chen																						
	Director (Note) Chao-Ting Lin																						
	Independent Director Chau-Chin Su																						
Independent Director Yung-Tsai Chen	1,867	2,465	0	0	720	720	0	0	0.31	0.39	0	0	0	0	0	0	0	0.31	0.39	None			
Independent Director Jesadavat Priebjivat																							

1. Directors and Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent: The company's remuneration for directors (including independent directors) is set out in Article 34 of the company's articles of association. The articles of association are approved by the shareholders' meeting and authorizes the board of directors to include the directors (including independent directors) in the company's operation participation and contribution value, and refer to the level of competitors; the remuneration of directors (including independent directors) shall be not more than 2% in accordance with Article 56.1 of the company's articles of association.

2. 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 : On-board date on June 05, 2019.

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\$ 1,000,000	Shu-Mu Wang, Jui-Hsiang Chou, Yung-Yuan Cheng, Shun-Chung Lee, Sen-Tien Wu, Somkiat Krajangjaeng, Tu-Chuan Chen, Chao-Ting Lin, Chau-Chin Su, Yung-Tsai Chen, Jesadavat Priebjrivat	Shu-Mu Wang, Jui-Hsiang Chou, Yung-Yuan Cheng, Shun-Chung Lee, Sen-Tien Wu, Somkiat Krajangjaeng, Tu-Chuan Chen, Chao-Ting Lin, Chau-Chin Su, Yung-Tsai Chen	Shu-Mu Wang, Jui-Hsiang Chou, Yung-Yuan Cheng, Shun-Chung Lee, Somkiat Krajangjaeng, Tu-Chuan Chen, Chao-Ting Lin, Chau-Chin Su, Yung-Tsai Chen, Jesadavat Priebjrivat	Chau-Chin Su, Yung-Tsai Chen
NT\$1,000,000(incl.) ~ NT\$2,000,000(excl.)	-	Jesadavat Priebjrivat	-	Shu-Mu Wang, Shun-Chung Lee, Somkiat Krajangjaeng, Chao-Ting Lin, Jesadavat Priebjrivat
NT\$2,000,000(incl.) ~ NT\$3,500,000(excl.)	-	-	Sen-Tien Wu	Sen-Tien Wu, Tu-Chuan Chen
NT\$3,500,000(incl.) ~ NT\$5,000,000(excl.)	-	-	-	Yung-Yuan Cheng
NT\$5,000,000(incl.) ~ NT\$10,000,000(excl.)	-	-	-	Jui-Hsiang Chou
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 (%)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company
	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	5,063	27,054	0	0	1,045	12,520	0	0	0	0	0.74	4.78	None
General Manager & APT CEO Jui-Hsiang Chou													
CFO & CAO Shou-Hua Hsu													
CSO & VP Sen-Tien Wu													
APT Executive Vice President Yung-Yuan Cheng													
APT CBO Shun-Chung Lee													
APT CTO Tu-Chuan Chen													
APT COO Chao-Ting Lin													
Assistant General Manager & APT CPO Hsin-Wang Yang													
APT Vice President Chun-Lung Huang													
APT Vice President Chih-Chung Liu (Note1)													
APT Vice President Somkiat Krajangjaeng													
APT Vice President Sommaiphuengmi													
APT Vice President Narumol Prapaitrakul (Note2)													
APT Vice President Theptat Intaratat													

Note1: Mr. Chih-Chung Liu on-board date on January 10, 2019.

Note2: Ms. Narumol Prapaitrakul resigned on June 01, 2019.

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\$ 1,000,000	<i>Shu-Mu Wang, Jui-Hsiang Chou, Yung-Yuan Cheng, Shun-Chung Lee, Du-Chuan Chen, Chao-Ting Lin, Chun-Lung Huang, Chih-Chung Liu, Somkiat Krajangjaeng, Sommai Phuengmi, Narumol Prapaitrakul, Theptat Intaratat</i>	-
NT\$1,000,000(incl.) ~ NT\$2,000,000(excl.)	<i>Shou-Hua Hsu, Hsin-Wang Yang</i>	<i>Shu-Mu Wang, Shun-Chung Lee, Chao-Ting Lin, Chih-Chung Liu, Somkiat Krajangjaeng</i>
NT\$2,000,000(incl.) ~ NT\$3,500,000(excl.)	<i>Sen-Tien Wu</i>	<i>Shou-Hua Hsu, Sen-Tien Wu, Du-Chuan Chen, Hsin-Wang Yang, Chun-Lung Huang, Sommai Phuengmi, Narumol Prapaitraku, Theptat Intaratat</i>
NT\$3,500,000(incl.) ~ NT\$5,000,000(excl.)	-	<i>Yung-Yuan Cheng</i>
NT\$5,000,000(incl.) ~ NT\$10,000,000(excl.)	-	<i>Jui-Hsiang Chou</i>
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	15	15

3.3.3 Names of managers receiving employee bonuses and amounts: Apex did not distribute employee bonuses.

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 \ Item	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
2019	8,695	42,759	1.05	5.17
2018	7,641	32,678	0.92	3.94

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

The Board held 8 meetings in 2019. The attendance of the directors specified as below:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance	Remark
Chairman	Shu-Mu Wang	6	2	75.0%	2019.06.05 Re-appointed
Director	Jui-Hsiang Chou	8	0	100.0%	2019.06.05 Re-appointed
Director	Yung-Yuan Cheng	2	6	25.0%	2019.06.05 Re-appointed
Director	Shun-Chung Lee	8	0	100.0%	2019.06.05 Re-appointed
Director	Sen-Tien Wu	8	0	100.0%	2019.06.05 Re-appointed
Director	Somkiat Krajangjaeng	8	0	100.0%	2019.06.05 Re-appointed
Director	Tu-Chuan Chen	5	1	83.3%	2019.06.05 Newly appointed
Director	Chao-Ting Lin	6	0	100.0%	2019.06.05 Newly appointed
Independent Director	Chau-Chin Su	7	1	87.5%	2019.06.05 Re-appointed
Independent Director	Yung-Tsai Chen	8	0	100.0%	2019.06.05 Re-appointed
Independent Director	Jesadavat Priebjivat	5	3	62.5%	2019.06.05 Re-appointed

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
2019.03.05 (the 20 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● 2019 CPA-audited and certified financial report and audit fee process by KPMG ● To issue 2018 annual Internal control system statement ● Amendment to the "Memorandum of Association and Articles of Association" of the Company ● Amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company ● Amendment to the "Procedures for the Handling of Derivatives Trading" of the Company 	All attendees of Independent Directors have no objection

Meeting Date (Sessions)	Resolution	All independent directors' opinions and the company's response
2019.03.05 (the 20 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● Amendment to the "Rules for Board of Director Performance Evaluation" of the Company ● Amendment to the "Principle of Corporate Governance" of the Company ● Amendment to the "Rules and Procedure of Board of Directors Meetings" of the Company ● To formulate the "Standard Operating Procedures for Handling Requirements of Directors" of the Company ● Amendment to the "Rules and Procedures of Shareholders' Meeting" of the Company ● The proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. granting bonus to Directors ● The proposal to discuss the 2019 remuneration of Director of subsidiary Approach Excellence Trading Ltd ● The proposal to approve the application of credit line and account opening with Jih Sun International Bank,Ltd. ● The proposal to approve the application of credit line with Yuanta Commercial Bank ● The proposal to approve the application of credit line with EnTie Commercial Bank 	All attendees of Independent Directors have no objection
2019.07.15 (the 2 nd Meeting of Fifth Session)	<ul style="list-style-type: none"> ● Adjustment to Independent director and Remuneration Committee member's remuneration ● The proposal to approve the application of credit line with Taishin International Bank ● The proposal to approve the application of credit line with Bank SinoPac ● The proposal to approve the application of credit line with KGI Commercial Bank ● The proposal to approve the application of credit line with Mega International Commercial Bank ● To appoint a Chief Corporate Governance Officer ● Amendment to the "Standard Operating Procedures for Handling Requirements of Directors" of the Company 	All attendees of Independent Directors have no objection
2019.08.09 (the 3 rd Meeting of Fifth Session)	<ul style="list-style-type: none"> ● Amendment to the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" of the Company ● Amendment to the "Regulations for Establishment of Board of Directors and the Board's Exercise of Powers" of the Company 	All attendees of Independent Directors have no objection

Meeting Date (Sessions)	Resolution	All independent directors' opinions and the company's response
2019.08.09 (the 3 rd Meeting of Fifth Session)	<ul style="list-style-type: none"> ● The proposal to approve the application of the 3-year-syndicated loan with First Commercial Bank ● The proposal to approve the application of credit line and open account with Bank of Panhsin ● The proposal to approve the application of credit line with Taichung Commercial Bank 	All attendees of Independent Directors have no objection
2019.08.29 (the 4 th Meeting of Fifth Session)	<ul style="list-style-type: none"> ● The proposal to approve the application of credit line with Far Eastern International Bank ● The proposal to approve the application of credit line and open account with The Shanghai Commercial & Savings Bank, Ltd. ● The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and Shanghai Commercial & Savings Bank, Ltd. ● The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and E. Sun Commercial Bank, Ltd. ● The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and CTBC Bank Co., Ltd. ● The proposal to approve the application of (a) opening an NR FCD saving account in USD currency and an NRBA saving account with KASIKORNBANK PUBLIC COMPANY LIMITED ("KBank"), Phahon Yothin Branch and (b) obtaining the credit facility (Forward Contract) with KBank 	All attendees of Independent Directors have no objection
2019.11.06 (the 5 th Meeting of Fifth Session)	<ul style="list-style-type: none"> ● Amendment to the "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee" of the Company ● The proposal to approve the application of credit line with First Commercial Bank 	All attendees of Independent Directors have no objection
2019.12.10 (the 6 th Meeting of Fifth Session)	<ul style="list-style-type: none"> ● The result of Group managerial officers performance evaluation in 2019 as well as the annual bonus plan ● The remuneration of Group directors (including independent directors) in year 2020 	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
2019.03.05 (the 20 th Meeting of Fourth Session)	● 2018 annual distribution of earning of the Company	<i>Chau-Chin Su Yung-Tsai Chen Jesadavat Priebjriwat</i>	Director recused himself from the discussion and voting
2019.03.05 (the 20 th Meeting of Fourth Session)	● The proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. granting bonus to Directors	<i>Jesadavat Priebjriwat</i>	Director recused himself from the discussion and voting
2019.03.05 (the 20 th Meeting of Fourth Session)	● The proposal to discuss the 2019 remuneration of Director of subsidiary Approach Excellence Trading Ltd.	<i>Shu-Mu Wang</i>	Director recused himself from the discussion and voting
2019.03.05 (the 20 th Meeting of Fourth Session)	● The Board of Director plans the nomination of directors (including independent directors) of the candidates list	<i>Shu-Mu Wang Jui-Hsiang Chou Yung-Yuan Cheng Shun-Chung Lee Sen-Tien Wu Somkiat Krajangjaeng Chau-Chin Su Yung-Tsai Chen Jesadavat Priebjriwat</i>	Director recused himself from the discussion and voting
2019.06.05 (the 1 st Meeting of Fifth Session)	● To appoint the Fourth Session of the Remuneration Committee Members of the Company	<i>Chau-Chin Su Jesadavat Priebjriwat</i>	Director recused himself from the discussion and voting
2019.07.15 (the 2 nd Meeting of Fifth Session)	● Adjustment to Independent director and Remuneration Committee member's remuneration	<i>Chau-Chin Su Yung-Tsai Chen Jesadavat Priebjriwat</i>	Director recused himself from the discussion and voting
2019.07.15 (the 2 nd Meeting of Fifth Session)	● To appoint a Chief Corporate Governance Officer	<i>Sen-Tien Wu</i>	Director recused himself from the discussion and voting
2019.12.10 (the 6 th Meeting of Fifth Session)	● The result of Group managerial officers performance evaluation in 2019 as well as the annual bonus plan	<i>Shu-Mu Wang Jui-Hsiang Chou Yung-Yuan Cheng Sen-Tien Wu Shun-Chung Lee Tu-Chuan Chen Somkiat Krajangjaeng Chao-Ting Lin</i>	Director recused himself from the discussion and voting

Meeting Date (Sessions)	Resolution	The contents of the motion	The reasons for the avoidance of benefits and the circumstances of the voting
2019.12.10 (the 6 th Meeting of Fifth Session)	<ul style="list-style-type: none"> The remuneration of Group directors (including independent directors) in year 2020 	<i>Chau-Chin Su</i> <i>Yung-Tsai Chen</i> <i>Jesadavat Priebjrivat</i>	Director recused himself from the discussion and voting

3. Information of self-evaluations (or peer evaluations) by the Board of Directors:
Implementation situation of the board performance evaluation

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	2018.12.01 to 2019.11.30	Board of Directors	Board of Directors self-evaluation	<ul style="list-style-type: none"> Participation in the operation of the company Improvement of the quality of the board of directors' decision making Composition and structure of the board of directors Selection and continuing education of directors Internal control

4. Assessment of the objectives and execution of board of director function enhancement (e.g. establishment of the audit committee, enhance information transparency) in the current year and recent years:

(1) 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 2019:

●: Attend in person ▲: Attend by Proxy

Meeting Date	2019.03.05	2019.05.08	2019.06.05	2019.07.15	2019.08.09	2019.08.29	2019.11.06	2019.12.10
Name								
<i>Chau-Chin Su</i>	●	●	●	●	●	▲	●	●
<i>Yung-Tsai Chen</i>	●	●	●	●	●	●	●	●
<i>Jesadavat Priebjrivat</i>	●	▲	▲	●	●	●	●	▲

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 and annual work plan 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, evaluating transactions of important assets or derivative products, loans of funds, endorsements, or provision of guarantees of a material nature, fund raising or securities issuance, appointment, dismissal of accountants and their remuneration, appointment and dismissal of financial, accounting or internal audit officer and matters in which a director is an interested party.

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. Please refer to the following paragraph for the operating situation of the year.

The Audit Committee held 7 meetings in 2019. The attendance of the independence directors specified below:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance	Remark
Independent Director	<i>Chau-Chin Su</i>	6	1	85.7%	2019.06.05 Re-appointed
Independent Director	<i>Yung-Tsai Chen</i>	7	0	100.0%	2019.06.05 Re-appointed
Independent Director	<i>Jesadavat Priebjivat</i>	5	2	71.4%	2019.06.05 Re-appointed

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
2019.03.05 (the 19 th Meeting of Third Session)	<ul style="list-style-type: none"> ● 2019 CPA-audited and certified financial report and audit fee process by KPMG ● 2018 Annual Operation Report and Consolidated Financial Statements ● 2018 annual distribution of earning of the Company ● To issue 2018 annual Internal control system statement ● Amendment to the "Memorandum of Association and Articles of Association" of the Company ● Amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company ● Amendment to the "Procedures for the Handling of Derivatives Trading" of the Company ● Amendment to the "Rules for Board of Director Performance Evaluation" of the Company ● Amendment to the "Principle of Corporate Governance" of the Company ● The proposal to approve the application of credit line and account opening with Jih Sun International Bank, Ltd. ● The proposal to approve the application of credit line with Yuanta Commercial Bank ● The proposal to approve the application of credit line with EnTie Commercial Bank 	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
2019.05.08 (the 20 th Meeting of Third Session)	<ul style="list-style-type: none"> ● The Company's Q1 2019 Consolidated Financial Statements 	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2019.07.15 (the 1 st Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The proposal to approve the application of credit line with Taishin International Bank ● The proposal to approve the application of credit line with Bank SinoPac ● The proposal to approve the application of credit line with KGI Commercial Bank ● The proposal to approve the application of credit line with Mega International Commercial Bank ● To appoint a Chief Corporate Governance Officer 	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2019.08.09 (the 2 nd Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The Company's Q2 2019 Consolidated Financial Statements ● Amendment to the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" of the Company ● Amendment to the "Regulations for Establishment of Board of Directors and the Board's Exercise of Powers" of the Company ● The proposal to approve the application of the 3-year-syndicated loan with First Commercial Bank ● The proposal to approve the application of credit line and open account with Bank of Panhsin ● The proposal to approve the application of credit line with Taichung Commercial Bank 	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2019.08.29 (the 3 rd Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The proposal to approve the application of credit line with Far Eastern International Bank ● The proposal to approve the application of credit line and open account with The Shanghai Commercial & Savings Bank, Ltd. ● The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and Shanghai Commercial & Savings Bank, Ltd. 	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
2019.08.29 (the 3 rd Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and E. Sun Commercial Bank, Ltd. ● The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and CTBC Bank Co., Ltd. ● The proposal to approve the application of (a) opening an NR FCD saving account in USD currency and an NRBA saving account with KASIKORNBANK PUBLIC COMPANY LIMITED, Phahon Yothin Branch and (b) obtaining the credit facility (Forward Contract) with KBank 	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2019.11.06 (the 4 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The Company's Q3 2019 Consolidated Financial Statements ● Amendment to the "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee" of the Company ● The proposal to approve the application of credit line with First Commercial Bank 	The proposal be and hereby were accepted as proposed unanimously by all independent directors
2019.12.10 (the 5 th Meeting of Fourth Session)	<ul style="list-style-type: none"> ● The Company's 2020 Annual Operating Plan and Budget ● The Company's 2020 Annual Audit Plan 	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 : None

3. Communications between the independent directors, the Company's 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 Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	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. Shareholding Structure & Shareholders' Rights				
(1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	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 Company possess a list of major shareholders and beneficial owners of these major 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 built and executed a risk management system and "firewall" between the Company and its affiliates?	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 procedures.	No particular difference
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	v		(4) Apex has established regulations on prevention of insider trading and also regularly reminds company personnel such conduct is prohibited.	No particular difference
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of	v		(1) The composition of the board of directors is determined with professional background, gender, age and	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	
its Board of Directors and has it been implemented accordingly?			<p>education taken into consideration and also diversified for the purpose of complementation to increase the overall capacity of the board.</p> <p>Apex incorporated a board diversity policy in Chapter 3, "Strengthening Board Function", of "Principle of Corporate Governance", which was amended by the 17th time of third session BOD on April 9, 2015. Board diversity including but not limited to the following two standards:</p> <p>A. Basic conditions and values: gender, age, nationality and culture.</p> <p>B. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.</p> <p>Board members should generally have the knowledge, skills and literacy necessary to perform their duties, and their overall abilities should be as follows</p> <p>(A) Abilities of Making Operational Judgments (B) Abilities of accounting and financial analysis (C) Conduct Management Administration (D) Risk Management Knowledge and Skill (E) Knowledge of the Industry (F) International Market Perspective (G) Leadership (H) Decision-making</p> <p>All of the candidates for the Board of Directors are nominated by adopting the candidate nomination</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>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. In the fifth session of the board member, foreign director account for 18%, independent director account for 27%. APEX focus on the professional knowledge and skills of directors. All directors of fifth session possess knowledge of the industry and international market perspective. Directors Shu-Mu Wang, Jui-Hsiang Chou, Yung-Yuan Cheng, Sen-Tien Wu ,Somkiat Krachangjang, Tu-Chuan Chen, Chao-Ting Lin and Shun-Chung Lee possess abilities to make operational judgments and conduct management administration and risk management knowledge and skills and Leadership. Directors Shu-Mu Wang, Jui-Hsiang Chou, Sen-Tien Wu, Yung-Tsai Chen, and Jesadavat Priebjrivat possess abilities to perform accounting and financial analysis.</p>	
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	v		(2) In addition to the Remuneration Committee and the Audit Committee, committees of other functions will be created in accordance with the company's business development and related regulations.	No particular difference
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference	v		(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 annually. The annual performance evaluation will be reported to	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	
for directors' remuneration and renewal? (4) Does the Company regularly evaluate its external auditors' independence?	v		the board of directors at the end of each year, and will be used as a reference for continuous strengthening of the functions of the board. Please refer to the company's official website for the evaluation results. (4) The Company evaluates the independence of CPAs annually 2018 Assessment of performance and independence of certified public accountant had been approved by Audit Committee and Board of Directors on March 05, 2019. The company's Accounting Department has assessed and confirmed that accountants Min-Ju Chao and Chun-Shiu Kuang of KPMGI meet the independence standards of the company and are qualified to be the company's CPA. Regarding the evaluation criteria for the independence of accountants in 2019, Please refer to 8.5.3 "To review the independence of the CPA periodically and the items of evaluation".	No particular difference
4. Does the Company appoint competent and appropriate corporate governance personnel and Corporate Governance Officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	v		APEX has set up a Corporate Governance Team and has resolved to designate Chief Strategy Officer (CSO) to be the Chief Corporate Governance Officer (CGO), by the board of directors on July 15, 2019. CSO has management experience in finance for public companies over three years. CGO is responsible for matters regarding Corporate Governance, produce documents including the meeting minutes of Board and AGM, arrange annual educational courses for directors and to provide directors with the data required for carrying out their duties and the information regarding the latest legal developments related to organizational operations to help directors achieve legal	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>compliance. The Corporate Governance Evaluation Team, CSR Team, Ethical Corporate Management Team will also assist with the relevant corporate governance affairs.</p> <p>The following describes the 2019 performance of the governance team:</p> <p>(1) Arrange related matters to the Board of Directors and Annual General Meeting in accordance with the law. Produce documents including the meeting minutes of Board and AGM Prepare the agenda for meetings; inform directors to convene meetings before 7 days; provide directors with meeting-related data and issues; remind directors of the avoidance of conflicts of interest, if necessary; and issue the minutes of meetings within 20 days after each meeting.</p> <p>(2) Arrange annual educational courses for directors: The new and current directors have already finished the educational courses in compliance with the law on 2019.</p> <p>(3) Provide directors with the data required for carrying out their duties.</p> <p>(4) Provide the information regarding the latest legal developments related to organizational operations to help directors achieve legal compliance:</p> <p>A. Confirm whether the AGM and the Board of Directors is in compliance with relevant laws and corporate governance codes.</p> <p>B. Assist the directors in complying with laws and regulations when carrying out business or making</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>formal decisions of the board of directors.</p> <p>C. After the meeting, check the release of important information of important resolutions of the board of directors to ensure the legality and correctness of the content of the important information.</p> <p>CGO conducts regular training every year. For the 2019 year of training, please refer to 8.5.2 "Continuing education and training of directors and management in 2019".</p> <p>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.</p>	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	v		Apex has set up a customer service office and designated spokesperson to communicate with stakeholders. The summary of the response and measure of the company with stakeholders and the contact information is disclosed on the company website for stakeholders.	No particular difference
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	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 established a corporate website to disclose information regarding its financials, business and corporate	v		(1) Apex has set up a company website to disclose information about various financial operations and corporate governance.	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>governance status?</p> <p>(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p> <p>(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?</p>	v		<p>(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.</p> <p>(3) At present, the annual financial report has not been announced and reported within two months after the end of the fiscal year, but the financial reports for the first, second, and third quarters and the operating conditions in each month are announced and reported earlier than the prescribed period.</p>	<p>No particular difference</p> <p>The announcement and report of the annual financial report are yet to be evaluated</p>
<p>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?</p>	v		<p>(1) Employee Rights and interests and employee 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</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>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 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</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>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 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 refer to 8.5.2 "Continuing education and training of directors and management in 2019" for details.</p> <p>(6) Implementation of risk management policy and risk assessment criteria: Please refer to 7.6 "Risks" for details.</p> <p>(7) Execution of customer policy: Apex has set up a customer service department and a permanent</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>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>9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange: According to the categories and requirements of the Corporate Governance Evaluation held by TWSE each year, Apex proceeds self-assessment and report the performance to BOD meeting. In year 2018, Apex perform 91.82 score of the evaluation, means Apex was ranked within 6%~20% of all companies listed in TWSE. Apex has continued to handle relevant matters and measures in accordance with the internal corporate governance code regarding the results of corporate governance evaluation.</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.

Members of the Remuneration Committee

Title / 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	9			10
Independent Director Chau-Chin Su	v		v	v	v	v	v	v	v	v	v	v	v	v	0	-
Independent Director Jesadavat Pribrivat			v	v	v	v	v	v	v	v	v	v	v	v	0	-
Independent Member Yang-Tzong Tsay	v	v	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 the company or any of its affiliates.
- (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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company.
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent).
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or 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, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000".
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

The state of operations of the Remuneration Committee

1. There are three members in the Company's Remuneration Committee.

2. Tenure of the Remuneration Committee: June 05, 2019 to June 04, 2022. The Remuneration Committee held 3 meetings in 2019 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	<i>Chau-Chin Su</i>	3	0	100%	
Member	<i>Jesadavat Priebjivat</i>	3	0	100%	
Member	<i>Yang-Tzong Tsay</i>	3	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
2019.03.05 (the 7 th Meeting of Third Session)	<ul style="list-style-type: none"> ● The proposal to discuss 2018 annual compensation distribution of directors of Company ● The proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. granting bonus to Directors ● The proposal to discuss the 2019 remuneration of Director of subsidiary Approach Excellence Trading Ltd. 	The proposal be and hereby were accepted as proposed unanimously by all Remuneration Committee Members
2019.07.15 (the 1 st Meeting of Fourth Session)	<ul style="list-style-type: none"> ● To elect convenor of Remuneration Committee ● Adjustment to Independent director and Remuneration Committee member's remuneration 	The proposal be and hereby were accepted as proposed unanimously by all Remuneration Committee Members
2019.12.10 (the 2 nd Meeting of Fourth Session)	<ul style="list-style-type: none"> ● Proposal to review remuneration payment to Group directors and managerial officers in year 2019 ● Proposal to discuss the result of managerial officers performance evaluation in 2019 as well as the annual bonus plan 	The proposal be and hereby were accepted as proposed unanimously by all Remuneration Committee Members

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
2019.12.10 (the 2 nd Meeting of Fourth Session)	<ul style="list-style-type: none"> ● Proposal to review the remuneration of Group directors (including independent directors) in year 2020 ● Proposal to review the remuneration policy and performance evaluation system toward managerial officers ● Proposal to discuss the working plan of the Remuneration Committee in year 2020 	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. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	v		Apes analyzes issues regularly based on the international reporting preparation guidelines. It has formulated strategies and established relevant measures for risks related to environmental, social and corporate governance issues related to the company's operations.. Please refer to the "Corporate Governance", "Ethics and Integrity", "Environment Protection", "Social Investment", "Happy and Safe Workplace" and other chapters of the Corporate Social Responsibility Report for the year 2018.	No particular difference
2. Does the company establish exclusively (or concurrently) dedicated senior management team authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	v		Apex has a Corporate Social responsibility Management Committee, which is responsible for the planning and implementation of the annual goals of various safety, environmental protection, vulnerable care and other projects, and reports the implementation to the board of directors annually.	No particular difference
3. Environmental Topic (1) Does the company establish proper environmental management systems based on	v		(1) All environmental protection policies made by Apex's Corporate Social responsibility Management	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	
the characteristics of their industries?			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.	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	v		(2) 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 2019 are as follows: A. Waste Chemical: Collect copper from waste chemical total 777 ton and 100% recycle Spent AL Etching chemical, total 9,157 ton in 2019. 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 2020.	
(3) Does the Company assess the potential risks and opportunities climate change brings to the Company, now and in the future, and take measures to respond to climate-related issues?	v		(3) Apex based on the climate risk identification list to identify and evaluate the potential risks brought by various instances of climate change in connection with the interaction between the organization's operational activities, services, and the environment. After determining whether the risks are acceptable, and then decide on the corresponding measures and relevant management methods.	
(4) Does the Company collect data for greenhouse	v		(4) The results of the year 2019 are as follows:	

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	
gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?			<p>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 2019.</p> <p>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 2019.</p> <p>C. Apex process 8 energy saving project and saved 11,000,000kWh, i.e., reducing 6,836 ton CO2 emission.</p>	
4. Social Issues				
(1) Has the company established management policies and procedures in accordance with related regulations and international human rights instruments?	v		<p>(1) The Company's working rule and regulation follow the spirit of International Bill of Human Rights with below major concerned items:</p> <p>A. Elected Welfare Committee;</p> <p>B. Caring for vulnerable groups;</p> <p>C. Prohibiting the use of child labor;</p> <p>D. Human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status;</p> <p>E. Achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.</p>	No particular difference
(2) Does the Company formulate and implement reasonable employee benefits measures (including compensation, leaves and other benefits), and appropriately reflect operational	v		<p>(2) The Company's employee welfare measures are as follows.</p> <p>A. Multiple shuttle bus routes providing transportation for employees to go to work and go home</p>	

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	
performance or achievement in employee compensation?			<p>B. Employee uniforms</p> <p>C. Employee cafeterias providing three meals a day</p> <p>D. Full attendance rewards</p> <p>E. Sickness and funeral subsidies</p> <p>F. Employee loans</p> <p>G. Annual employee athletic events and parties</p> <p>H. Senior employee citations and awards</p> <p>I. Special treatment to pregnant employees</p> <p>The company's employee remuneration and leave are superior to the government laws and regulations of each company's location, and the operating performance and results are also appropriately reflected in the employee's remuneration.</p> <p>For the complete employee welfare measures, please refer to 5.5. "Labor-Management Relations".</p>	
(3) Does the company provide a safe and healthy work environment for employees and also educate employees on safety and health regularly?	v		<p>(3) A. The Company obtained the certificate o ISO 14001 and OHSAS 18001.</p> <p>B. Safety consultant directly report to CEO.</p> <p>C. Based on the risk evaluation report prepared by external risk evaluation company, Allianz Risk Consultant, to implement improvement and followup</p> <p>D. Have its owned clinic and ambulance.</p> <p>E. Anti-drug: K9 team monthly factory inspection.</p> <p>F. Hosting regular training sessions to build a better working environment.</p>	
(4) Has the Company established effective job ability enhancement training programs for employees?	v		<p>(4) The Human Resource Department assists the head of each department to set up annual training programs in accordance with each department's work targets</p>	

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	
<p>(5) Does the Company comply with relevant laws, regulations and international standards with respect to customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer interests protection policies and complaint procedures?</p> <p>(6) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and its implementation situation?</p>	v		<p>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.</p> <p>(5) Apex's product labeling and customer privacy follow the relevant regulations and international standards. It has also formulated relevant management measures for the complaint channel, as well as the reporting channel in the company 's website for stakeholders.</p> <p>(6) 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.Top 10 of Apex's suppliers have already sign the Commitment Letter to comply with the company's social responsibility policy. If the supplier is found in violation of the company's corporate social responsibility policy and the result in significant impact on the environment and society, Apex may terminate or cancel the contract at any time.</p>	
<p>5. Does the Company refer to internationally accepted reporting standards or guidelines when compiling reports on the Company's non-financial information such as the corporate social responsibility reports? Have the</p>		v	<p>Since 2016, Apex has voluntarily prepared a corporate social responsibility report, which was compiled based on internationally accepted reporting standards, but such report has not verified or certified by a third-party verification unit.</p>	<p>Apex is evaluating whether such report is verified or certified by a third-party verification unit.</p>

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	
aforementioned reports been verified or certified by a third-party verification unit?				
6. 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				
7. Other important information able to help the public understand the practices applied to fulfill corporate social responsibility:				
<p>(1) Care for the underprivileged:</p> <p>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.</p> <p>B. Providing job of massage service to blind people in factory serving Apex employee, the expense was approximately 870 k Baht.</p> <p>C. Held a charity fair and using the its revenue to set up an employee emergency relief fund.</p> <p>D. Donating the food to vulnerable patients and prisoners.</p> <p>(2) Community activities</p> <p>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.</p> <p>B. Donate candles and drinking water to the temple nearby Apex Thailand factory and support its traditional activities.</p> <p>C. Funded nearby elementary schools of desktop computer and sponsor for the community activities.</p> <p>D. Collaborating with local hospitals (Blood donation for Siriraj Hospital in Bangkok) for employees to donate blood each quarter.</p> <p>E. Sponsored the Sinsakhon Industrial Estate Mini Marathon.</p> <p>(3) Environmental protection</p> <p>A. Adopting environmental afforestation around the factory.</p> <p>B. Holding the activities for planting mangrove forest.</p> <p>(4) Apex has passed the following certifications:</p> <p>A. Those related product quality: QS-9000, ISO-9001, ISO/TS-16949</p> <p>B. Those related to the work environment: ISO-14001</p> <p>C. Those related to corporate social responsibility: TLS 8001</p> <p>D. Those related to occupational health and safety management systems: OHSAS 18001</p> <p>E. Environmentally sound practices certification: RoHS, UL</p>				

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. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Has the Company formulated an ethical management policies approved by the board of directors, and clearly stated the policies and practices of ethical management, and the commitment to actively implement management policies by the board of directors and the management team in the regulation, rules, and external documents?	v		(1) Apex has established its ethical management best practice principles as well as the corresponding operating procedures and conduct guidelines and they have been enforced after approval by the board of directors. The members of the board of directors and the management all carry out their duties without reservation and fulfill their obligations as good managers. They also follow the code of ethical conduct for directors and managers and exercise strict self-discipline and cautions when executing their duties.	No particular difference
(2) Has the company established an evaluation mechanism for the risk of unethical conduct in order to regularly analyze and evaluate business activities with a higher unethical risk within the business scope, and thus formulate a regulation to prevent unethical conduct, which at least covers the preventive measures as described in the paragraphs 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	v		(2) 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.	
(3) Has the company established regulations to	v		(3) Apex has clearly specified in the company ethical	

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	
prevent unethical conduct and also clearly specified the operating procedures, conduct guidelines, penalties for violations and appealing systems in such regulations and enforced the regulations and regularly review it?			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.	
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 unit under the board of directors to promote ethical management and regularly (at least once a year) report to the board of directors regarding its ethical management policy, its plan to prevent unethical conduct, and supervised the implement status?	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 regularly (at least once a year). 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.	
(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 the company.	

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	
<p>(4) Has the company established effective accounting and internal control systems to facilitate enforcement of ethical management? Does the internal audit unit plan relevant audit plans based on the evaluation results of the unethical conduct risk to check the compliance status of the plan to prevent unethical conduct perform audits regularly or commission to CPAs?</p> <p>(5) Does the company conduct regular internal and external training courses on ethical management?</p>	v		<p>Channels for communication with stakeholders are kept open.</p> <p>(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.</p> <p>(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.</p>	
<p>3. Operation of the violation-reporting system in the company</p> <p>(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?</p> <p>(2) Does the company have a standard operating procedure for investigations after accepting violation reports, the follow up measures to be taken after the investigation is completed, and a related mechanism to ensure confidentiality?</p>	v		<p>(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.</p> <p>(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.</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	
(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.	
4. Enhancement of information Disclosure 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 corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation: No particular difference.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy): 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 10, 2020

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 2019:

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, 2019, 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 2019 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 10, 2020, with 0 of the 11 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 as of the date of this 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 2019 Annual General Meeting

Date	Major Resolutions	Carries out the situation
June 05, 2019 Annual General Meeting	Acceptance of the 2018 Final Accounting Books and Financial Statements	Proposal was approved after voting.
	Acceptance of the 2018 Annual Distribution of Earning of the Company	Proposal was approved after voting.
	Election of the Company's Directors	The list of the newly elected directors (including independent directors) with votes received is as follows: Directors: <i>Shu-Mu Wang, Jui-Hsiang Chou, Yung-Yuan Cheng, Shun-Chung Lee, Sen-Tien Wu, Somkiat Krajangjaeng, Tu-Chuan Chen, Chao-Ting Lin</i> Independent Director: <i>Chau-Chin Su, Yung-Tsai Chen, Jesadavat Priebjivat</i> The REGISTER OF DIRECTORS AND OFFICERS complete the filing of registration change on June 20, 2019 in accordance at Cayman Registry.
	Releasing Newly-Elected Directors from Non-competition Restrictions	Proposal was approved after voting.
	Amendment to the "Memorandum of Association and Articles of Association" of the Company	Proposal was approved after voting and completed the filing of registration change on June 13, 2019 in accordance with the revised provisions.
	Amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company	Proposal was approved after voting and implemented in accordance with the revised provisions.
	Amendment to the "Procedures for the Handling of Derivatives Trading" of the Company	Proposal was approved after voting and implemented in accordance with the revised provisions.
Amendment to the "Rules and Procedures of Shareholders' Meeting" 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
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.
2019.06.05	<ol style="list-style-type: none"> 1. To elect Chairman of the Board. 2. To appoint the Fourth Session of the Remuneration Committee Members of the Company.
2019.07.15	<ol style="list-style-type: none"> 1. Adjustment to Independent director and Remuneration Committee member's remuneration. 2. To set the ex-dividend record date and related matters. 3. The proposal to approve the application of credit line with Taishin International Bank. 4. The proposal to approve the application of credit line with Bank SinoPac. 5. The proposal to approve the application of credit line with KGI Commercial Bank. 6. The proposal to approve the application of credit line with Mega International Commercial Bank. 7. To appoint a Chief Corporate Governance Officer. 8. Amendment to the "Standard Operating Procedures for Handling Requirements of Directors" of the Company.
2019.08.09	<ol style="list-style-type: none"> 1. Amendment to the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" of the Company. 2. Amendment to the "Regulations for Establishment of Board of Directors and the Board's Exercise of Powers" of the Company.

Date	Major Resolutions
2019.08.09	<ol style="list-style-type: none"> 3. The proposal to approve the application of the 3-year-syndicated loan with First Commercial Bank. 4. The proposal to approve the application of credit line and open account with Bank of Panhsin. 5. The proposal to approve the application of credit line with Taichung Commercial Bank.
2019.08.29	<ol style="list-style-type: none"> 1. The proposal to approve the application of credit line with Far Eastern International Bank. 2. The proposal to approve the application of credit line and open account with The Shanghai Commercial & Savings Bank, Ltd.. 3. The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and Shanghai Commercial & Savings Bank, Ltd.. 4. The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and E. Sun Commercial Bank, Ltd.. 5. The proposal to approve the application of transaction of Financial Derivatives of Exchange rate option between Taiwan Branch and CTBC Bank Co., Ltd.. 6. The proposal to approve the application of (a) opening an NR FCD saving account in USD currency and an NRBA saving account with KASIKORNBANK PUBLIC COMPANY LIMITED, Phahon Yothin Branch and (b) obtaining the credit facility (Forward Contract) with KBank.
2019.11.06	<ol style="list-style-type: none"> 1. Amendment to the "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee" of the Company. 2. The proposal to approve the application of credit line with First Commercial Bank.
2019.12.10	<ol style="list-style-type: none"> 1. The Company's 2020 Annual Operating Plan and Budget. 2. The Company's 2020 Annual Audit Plan. 3. The result of Group managerial officers performance evaluation in 2019 as well as the annual bonus plan. 4. The remuneration of Group directors (including independent directors) in year 2020.
2020.03.10	<ol style="list-style-type: none"> 1. Release the managerial personnel of the Company from non-competition restrictions. 2. The proposal to approve the Company to be the guarantor of subsidiary Shye Feng Enterprise (Thailand) Co., Ltd.. 3. 2020 CPA-audited and certified financial report and audit fee process by KPMG. 4. 2019 Annual Operation Report and Consolidated Financial Statements. 5. 2019 annual distribution of earning of the Company. 6. To issue 2019 Statement of Internal Control System. 7. Amendment to the "Memorandum of Association and Articles of Association" of the Company. 8. Amendment to the "Rules and Procedures of Shareholders' Meeting" of the Company. 9. Amendment to Rules & Procedures for Internal Control. 10. The proposal of subsidiary Apex Circuit (Thailand) Co., Ltd. (hereby refer to as APT) granting bonus to Directors. 11. The proposal to discuss the 2020 remuneration of Director of subsidiary Approach Excellence Trading Ltd.. 12. The agenda of the Company's 2020 Annual General Meeting and acceptance of shareholder proposals.

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 as of the date of this 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, Chief Corporate Governance Officer and R&D directors in the most recent year and as of the date of this annual report : None

3.5 CPA Fees

CPA Fee Table

Name of Accounting Firm	Name of CPA	Audited Period	Remark
KPMG Taiwan	Chao, Min-Ju	2019.01.01~2019.12.31	-
	Chun-Shiu Kuang		

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		
4	6,000 (including) ~ 8,000				v
5	8,000 (including) ~ 10,000				
6	More than 10,000 (including)				

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

Unit: NT\$ thousand

Name of Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Audited Period	Remark
			System Design	Business Registration	Human resources	Others	Sum		
KPMG Taiwan	Min-Ju Chao	5,407	0	0	0	1,110	1,110	2019.01.01 ~ 2019.12.31	Other Non-audit fees include Fairness Opinion on The Equity Value 250 thousand, Agreed-upon Procedures 389 thousand, overseas registration annual fees 194 thousand, change registration 65 thousand, certification fee 163 thousand other service fees 49 thousand , etc.
	Chun-Shiu Kuang								

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: None

If the new audit fees totaled over 10% less than the amount paid the year before, the amount reduced, its ratio and reasons should be disclosed: None

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	2019		As of Apr. 07, 2020	
		Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Pledged	Increase (Decrease) of Shares Held	Increase (Decrease) of Shares Pledged
Chairman	<i>Shu-Mu Wang</i>	0	0	0	0
Director & General Manager	<i>Jui-Hsiang Chou</i>	0	0	0	0
Director & APT Vice President	<i>Yung-Yuan Cheng</i>	0	0	0	0
Director & Vice President	<i>Sen-Tien Wu</i>	0	0	0	0
Director	<i>Shun-Chung Lee</i>	0	0	0	0
Director	<i>Smokiat Krajangjaeng</i>	0	0	0	0
Director	<i>Tu-Chuan Chen (Note)</i>	0	0	0	0
Director	<i>Chao-Ting Lin (Note)</i>	0	0	0	0
Independent Director	<i>Chau-Chin Su</i>	0	0	0	0
Independent Director	<i>Yung-Tsai Chen</i>	0	0	0	0
Independent Director	<i>Jesadavat Priebjivat</i>	0	0	0	0
Chief Financial Officer & Accounting Managerial Personnel	<i>Shou-Hua Hsu</i>	0	0	0	0
Assistant General Manager	<i>Shin-Wang Yang</i>	0	0	0	0

Note : The director's on-board date is on June 05, 2019.

3.8.2 Share transfer information: None

3.8.3 Secured parties of share pledges being related parties: None

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

Apr. 07, 2020

Name	Current Shareholding		Shares Held by Spouse & Minors		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	14,800,000	7.79	0	0.00	0	0.00	None	None	None
CTBC Bank Co., Ltd. as custodian of Object Map Ltd. Investment Account	9,389,840	4.94	0	0.00	0	0.00	None	None	None
Haoyishan Co., Ltd. Representative: Shi-Tang Huang	8,500,000 0	4.48 0.00	0 0	0.00 0.00	0 0	0.00 0.00	Jintianshan Co., Ltd.	Same representative	None
New Labor Pension Fund	7,928,500	4.17	0	0.00	0	0.00	None	None	None
Jintianshan Co., Ltd. Representative: Shi-Tang Huang	7,000,000 0	3.69 0.00	0 0	0.00 0.00	0 0	0.00 0.00	Haoyishan Co., Ltd.	Same representative	None
Yizhanxin Co., Ltd. Representative: You-Dong Jian	6,800,000 0	3.58 0.00	0 0	0.00 0.00	0 0	0.00 0.00	Yongjinshan Co., Ltd.	Same representative	None
Yongjinshan Co., Ltd. Representative: You-Dong Jian	6,500,000 0	3.42 0.00	0 0	0.00 0.00	0 0	0.00 0.00	Yizhanxin Co., Ltd.	Same representative	None
Standard Chartered Bank as custodian of Credit Suisse Singapore Branch	4,800,000	2.53	0	0.00	0	0.00	None	None	None
Old Labor Pension Fund	3,610,500	1.90	0	0.00	0	0.00	None	None	None
Prudential Financial Maxime Fund	3,333,000	1.75	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, 2019; 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

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	(Note7)	None	-
2013/04	40	200,000,000	2,000,000,000	95,389,241	953,892,410	(Note7)	None	-
2013/11	37.12	200,000,000	2,000,000,000	97,051,414	970,514,140	(Note7)	None	-
2014/03	37.12	200,000,000	2,000,000,000	97,091,822	970,918,220	(Note7)	None	-
2014/06	37.12	200,000,000	2,000,000,000	97,916,172	979,161,720	(Note7)	None	-
2014/07	37.12	200,000,000	2,000,000,000	97,926,946	979,269,460	(Note7)	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	(Note7)	None	-
2014/09	(Note5)	200,000,000	2,000,000,000	120,936,439	1,209,364,390	(Note7)	None	-
2014/10	35.84	200,000,000	2,000,000,000	122,412,433	1,224,124,330	(Note7)	None	-
2014/11	35.84	200,000,000	2,000,000,000	122,515,665	1,225,156,650	(Note7)	None	-
2015/06	42.9	200,000,000	2,000,000,000	122,594,919	1,225,949,190	(Note7)	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	(Note7)	None	-
2018/09	21.5	300,000,000	3,000,000,000	161,829,510	1,618,295,100	(Note7)	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
2018/10	21.5	300,000,000	3,000,000,000	163,638,809	1,636,388,090	(Note7)	None	-
2018/11	21.5	300,000,000	3,000,000,000	169,857,380	1,698,573,800	(Note7)	None	-
2018/12	21.5	300,000,000	3,000,000,000	170,229,463	1,702,294,630	(Note7)	None	-
2019/01	(Note6)	300,000,000	3,000,000,000	175,691,329	1,756,913,290	(Note7)	None	-
2019/02	(Note6)	300,000,000	3,000,000,000	182,170,714	1,821,707,140	(Note7)	None	-
2019/03	(Note6)	300,000,000	3,000,000,000	184,423,410	1,844,234,100	(Note7)	None	-
2019/04	35.3	300,000,000	3,000,000,000	184,752,016	1,847,520,160	(Note7)	None	-
2019/05	35.3	300,000,000	3,000,000,000	188,751,988	1,887,519,880	(Note7)	None	-
2019/07	35.3	300,000,000	3,000,000,000	189,040,932	1,890,409,320	(Note7)	None	-
2020/02	20.4	300,000,000	3,000,000,000	189,933,087	1,899,330,870	(Note7)	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.

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

Note 7: Conversion of convertible Corporate bonds.

Apr. 07, 2020; Unit: share

Type of Share	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	189,933,087	110,066,913	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, 2020; Unit: person; share

Shareholder Structure Quantity	Government Institution	Financial Institution	Other Juristic Persons	Individual	Foreign Institutions and Individual	Total
No. of People	0	7	192	22,066	78	22,343
No. of Shares Held	0	6,179,000	75,819,805	85,059,289	22,874,993	189,933,087
Holding ratio	0.00%	3.25%	39.92%	44.79%	12.04%	100.00%
Holding ratio of capital from mainland China: 0%						

4.1.3 Share Diversification

Apr. 07, 2020

Shareholding Scale	No. of Shareholders	No. of Shares Held	Shareholding Ratio
1to 999	11,676	286,402	0.15
1,000 to 5,000	8,494	16,540,929	8.71
5,001 to 10,000	1,074	8,569,979	4.51
10,001 to 15,000	277	3,635,567	1.91
15,001 to 20,000	225	4,224,465	2.22
20,001 to 30,000	196	5,168,799	2.72
30,001 to 40,000	80	2,856,273	1.50
40,001 to 50,000	59	2,766,141	1.46
50,001 to 100,000	112	7,990,333	4.21
100,001 to 200,000	52	7,484,109	3.94
200,001 to 400,000	36	10,140,679	5.34
400,001 to 600,000	22	10,804,281	5.69
600,001 to 800,000	10	7,139,460	3.76
800,001 to 1,000,000	6	5,196,427	2.74
Over 1,000,001	24	97,129,243	51.14
Total	22,343	189,933,087	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, 2020; Unit: share

Name of Main Shareholder	Shares	No. of Shares Held	Shareholding Ratio
Yan-Xian Lu		14,800,000	7.79
CTBC Bank Co., Ltd. as custodian of Object Map Ltd. Investment Account		9,389,840	4.94
Haoyishan Co., Ltd.		8,500,000	4.48
New Labor Pension Fund		7,928,500	4.17
Jintianshan Co., Ltd.		7,000,000	3.69
Yizhanxin Co., Ltd.		6,800,000	3.58
Yongjinshan Co., Ltd.		6,500,000	3.42
Standard Chartered Bank as custodian of Credit Suisse Singapore Branch		4,800,000	2.53
Old Labor Pension Fund		3,610,500	1.90
Prudential Financial Maxime Fund		3,333,000	1.75

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

Item		Year	2018	2019	as of Apr.07, 2020
Market Price per Share	Maximum		37.75	56.80	62.00
	Minimum		17.90	33.55	42.20
	Average		30.64	47.34	53.49
Net Value per Share	Before allocation		35.14	39.21	(Note 2)
	After allocation		32.40	(Note 1)	
Earnings per Share	Weighted Average Shares (thousand shares)		152,117	185,510	
	Earnings per Share		5.45	4.46	
Dividend per Share	Cash dividend (Note 1)		2.461	3.000	Not applicable
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0	0	
		Stock Dividends Appropriated from Capital Reserve	0	0	
	Accumulated Undistributed Dividends		0	0	
Analysis of Return on Investment	Price-to-earnings ratio (Note 3)		4.89	10.41	
	Price-to-dividend ratio (Note 4)		10.84	(Note 1)	
	Cash dividend yield (Note 5)		9.23%	(Note 1)	

Note 1: On March 10, 2020, the board of directors proposed to distribute earnings of 2019. The actual figures will be finalized after the resolution of shareholders' meeting on June 05, 2020.

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:

In the last five years (2013-2016 and 2018), APEX's cash dividends distributed by shareholders' resolutions accounted for more than 36% of correspondent year's EPS (36~62%).

3. Allocation of dividends proposed to current shareholders' meeting:

The board of directors resolved to distribute 2019 shareholders' dividend after the board of director's meeting on Mar. 10, 2020. It is proposed to distribute NT\$ 3.00 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 189,933,087 shares and it may be affected by the Company's bondholders who covert 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, 2020, 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 2019	figure estimated in 2018	Difference	Cause and treatment situation
Employee cash bonus	0	0	0	-
Director remuneration	720	720	0	-

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 07, 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 07, 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\$0	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) as of the date of this annual report	As of Jul. 31, 2019, the common shares already converted amounted to NT\$ 650,000,000.	As of Apr. 07, 2020, the common shares already converted amounted to NT\$ 599,900,000.
	Issuance and conversion (exchange or subscription) Regulations	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.
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 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.
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.		
Item	Year	2018	2019	Until Apr. 07, 2020	2018	2019	Until Apr. 07, 2020
	Convertible bond market price	Maximum	111.90	163.00	NA	175.00	221.00
Minimum		96.50	103.40	NA	105.55	168.00	0.00
Average		105.70	122.36	NA	121.25	183.27	0.00
Conversion price		35.3	35.30	NA	21.5	20.4	20.4
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 None

4.4 Issuance of Global Depository Shares None

4.5 Status of Employee Stock Option Plan None

4.6 Status of Employee Restricted Stock None

4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions None

4.8 Financing Plans and Implementation None

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	2018		2019	
		Amount	%	Amount	%
Double Side		2,093,013	18.73	1,856,108	17.87%
Multi-Layer		9,050,658	80.99	8,504,229	81.87%
Others		31,427	0.28	26,912	0.26%
Total		11,175,098	100.00	10,387,249	100.00

2. New product and service items to be developed

In 2019, except the consumer products like LCD TV, set top boxes and home entertainment, non-safety-related automotive parts circuit boards and it has shown development results one after another in 2019. In the future, other automotive parts circuit boards will continuously be developed. As for consumer electronics products, we will actively develop new customers for the products of the same type that Apex currently had produced. We 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 innerion 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

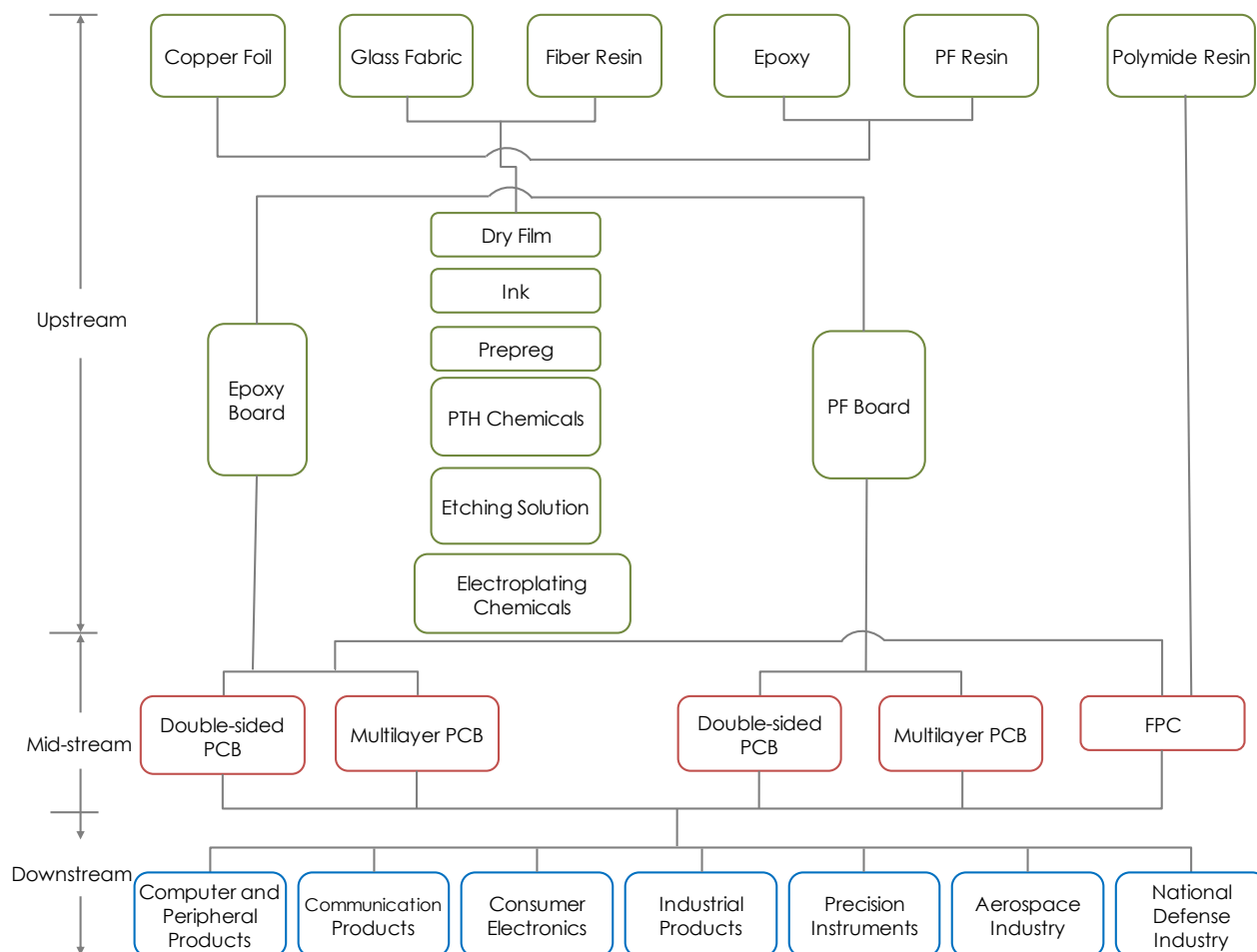
1. Current status and development of the industry

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 accordance with the research institute Prismark, the global PCB output value in 2019 is US \$ 68.3 billion, which is a slight decline of -1.2% from the US \$ 69.1 billion in 2018, and the annual growth rate of the global PCB industry production value in 2020 is 2.0%.

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



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

3. Product trends and industrial competition

In recent years, the shipments of electronic terminal products including smart phones, computers, and televisions have not grown significantly, , actually with a recession, while the overall PCB output value maintain its growth. 5G infrastructure in the early stage is a key point. In the future, as the application of high-end PCB products such as 5G and AI continues to be promising, it is expected that the market competition for high-end products will continue to intensify. 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. 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, IOT for drilling process evaluation had been done, auto printing function for solder mask process and faster changing ability, lab for reliability ability ready for TCT / CAF / SIR / THB / Material thermal stress analysis 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 as of the date of this 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 2019, the funds totaled THB65,500 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 THB 4 billion (including equipment upgrade) to develop or modify production processes of the new factory 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

Year	Development Result
2016	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)
2019	IOT for drilling process evaluation had been done Auto printing function for solder mask process and faster changing ability Lab for reliability ability ready for TCT / CAF / SIR / THB / Material thermal stress analysis

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

Unit: NT\$ thousand

Location \ Year		2018		2019	
		Amount	%	Amount	%
Overseas	Asia	5,495,244	49.17	5,599,529	53.91
	Europe	2,909,456	26.04	2,584,346	24.88
	America	349,682	3.13	305,211	2.94
	Africa	33,691	0.30	-	-
	Subtotal	8,788,073	78.64	8,489,086	81.73
Local (Note)		2,387,025	21.36	1,898,163	18.27
Total		11,175,098	100.00	10,387,249	100.00

Note: Local means sales to Thailand.

2. Market shares

The total of Apex's 2019 annual sales is NT\$ 10,387,249 thousand (around US \$336 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, owing to the 5G wireless communication technology, 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.

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

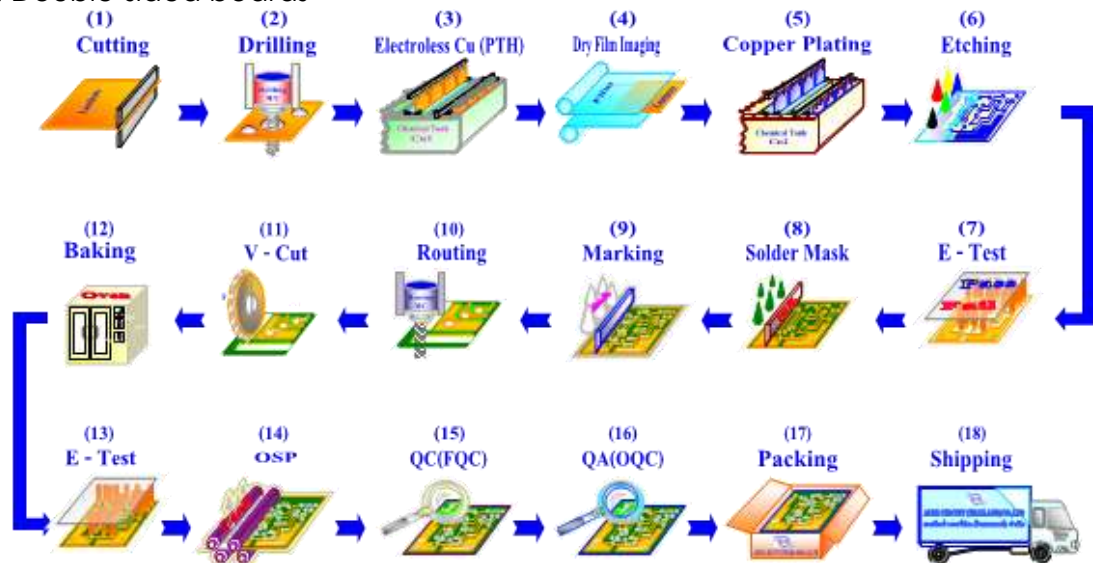
Apex keeps a close watch on price change tendencies and purchases needed quantities in advance when prices are at low points in order to maintain low material costs. We also keep good relationships with suppliers to ensure all material costs achieve our expectations. Apex also conducts cost control through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

5.2.2 Important uses and production processes of main products

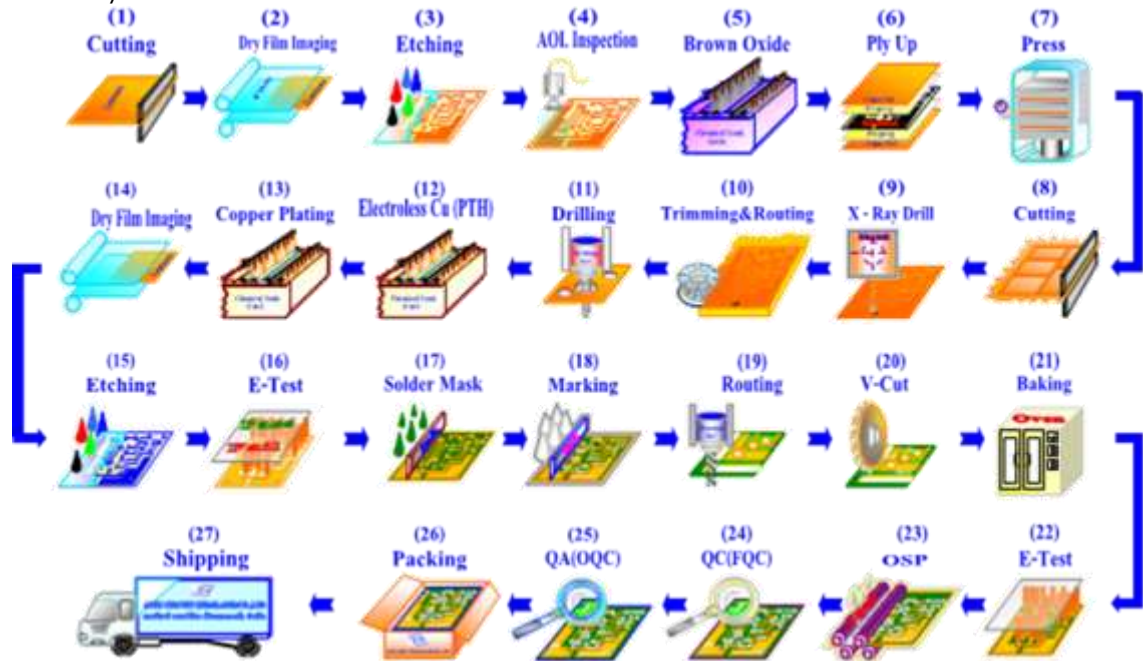
1. Important uses of products

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.	2018				2019			
	Name	Amount	Ratio to Net Annual Sales (%)	Relation with Issuer	Name	Amount	Ratio to Net Annual Sales (%)	Relation with Issuer
1	Customer A	2,084,778	18.66%	none	Customer A	1,726,889	16.63%	none
2	Customer S	1,207,380	10.80%	none	Customer S	1,057,277	10.18%	none
3	Customer T	993,361	8.89%	none	Customer C	828,492	7.98%	none
	Others	6,889,579	61.65%	none	Others	6,774,591	65.21%	none
	Total	11,175,098	100.00%		Total	10,387,249	100.00%	

Description of the amount changes of main customers: Change of each customer was mainly because of their own performance changed and the company's business expansion.

Main Suppliers

Unit: NT\$ thousand

No.	2018				2019			
	Name	Amount	Ratio to total Purchases %	Relation with Issuer	Name	Amount	Ratio to total Purchases %	Relation with Issuer
1	Vendor K	1,422,266	20.97%	none	Vendor K	1,220,967	21.72%	none
2	Vendor N	965,796	14.24%	none	Vendor C	537,994	9.57%	none
3	Vendor C	820,764	12.10%	none	Vendor J	375,493	6.68%	none
4	Vendor W	341,426	5.03%	none	Vendor N	326,447	5.81%	none
	Others	3,231,665	47.66%	none	Others	3,160,298	56.22%	none
	Net Purchases	6,781,917	100.00%	-	Net Purchases	5,621,199	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	2018			2019		
Production Value Main Product	Production Capacity	Production	Output Value	Production Capacity	Production	Output Value
Double-sided Board	1,336,000	1,313,095	1,677,390	1,239,000	1,209,883	1,488,524
Multi-layer Board	4,266,000	4,116,792	7,760,710	3,825,000	3,819,837	7,233,516
Total	5,602,000	5,429,887	9,438,100	5,064,000	5,029,720	8,722,040

5.2.6 Sales in the two most recent years

Unit: square meter, NT \$thousand

Year	2018				2019			
Sales Value Main Product	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Double-sided Board	407,383	860,567	700,708	1,232,446	276,280	568,954	736,828	1,287,155
Multi-layer Board	556,525	1,512,778	2,930,834	7,537,880	415,385	1,319,723	2,742,162	7,184,506
Others	-	13,680	-	17,747	-	9,486	-	17,425
Total	963,908	2,387,025	3,631,542	8,788,073	691,665	1,898,163	3,478,990	8,489,086

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		2018	2019	Mar. 31, 2020
Number of Employees	Managers	71	99	99
	Production departments	4,298	3,498	4,253
	Common employees	2,128	2,103	2,318
	Total	6,497	5,700	6,670
Average age		29.33	30.33	29.82
Average length of service		3.09	4.32	3.91
Education Level	Ph.D.	0.00%	0.02%	0.01%
	Master	0.15%	0.12%	0.13%
	University	17.24%	6.65%	5.89%
	Senior high school	41.50%	53.42%	55.16%
	Below senior high school	41.11%	39.79%	38.80%

5.4 Environmental Protection Expenses

Total amount of damages (including compensation) and fines resulted from environmental contamination in the most recent year and as of the date of this 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 2019 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 as of the date of this 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.	2019.05.20~2020.04.30	Short-term credit of financing facilities	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Bank Sinopac Co., Ltd.	2019.05.26~2021.05.31	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	EnTie Commercial Bank Co. Ltd.	2019.05.27~2021.05.26	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Far Eastern International Bank Co., Ltd.	2019.08.02~2021.08.02	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	Mega International Commercial Bank Co., Ltd.	2019.05.17~2021.05.16	Long-term loans	For parent company operations only
Long-term loan contract	Taichung Commercial Bank co., Ltd	2019.08.19~2021.08.19	Long-term loans	Need to maintain a certain financial ratio of financial statements
Long-term loan contract	KGI Commercial Bank Co., Ltd.	2019.07.26~2021.07.26	Long-term loans	None
Long-term loan contract	Shanghai Commercial & Savings Bank, Ltd	2019.08.15~2021.08.15	Long-term loans	None

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
Long-term loan contract	First Commercial Bank Co., Ltd.	2019.09.17~2021.09.17	Long-term loans	None
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
Syndicated loan	First Commercial Bank Co., Ltd. and Leading Bank	2019.10.22~2022.10.22	Long-term loans	Need to maintain a certain financial ratio of financial statements
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. 72 months from 2013.04.19 2. 66 months from 2014.07.17 3. 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
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	

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
Forward Contract	Kasikorn Bank Public Co., Ltd.	Effective from 2019.02.18	Forward Contract	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
Long-term Loan contract	TMB Bank Public Co., Ltd.	Effective from 2019.04.24	Long term loans	Need to maintain a certain financial ratio of financial statements
Short-term loan contract	Siam Commercial Bank Public Company Limited	Effective from 2016.08.19	Short-term credit of financing facilities	None
Short-term loan & 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
Financing lease contract	Kasikorn Factory & Equipment Co., Ltd.	1. 60 months from 2016.06.15 2. 48 months from 2016.06.15 3. 60 months from 2016.10.25 4. 48 months from 2016.12.19 5. 48 months from 2017.07.19	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

Contract Type	Counter Party	Beginning and End of Contract	Main Content	Restrictive Clauses
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
Engineering contract	Kertiri Co., Ltd	2019.07.12-2019.08.12; warranty depending on the content and scope	Parking Project (Apex 2)	None
Engineering contract	Kertiri Co., Ltd	2019.08.14-2019.09.14; warranty depending on the content and scope	Parking project (Apex 2)	None
Engineering contract	Fah Chun Development Limited	2019.09.01-2019.12.01; warranty depending on the content and scope	Building Extension Project	None
Engineering contract	Fah Chun Development Limited	2019.09.01-2019.12.20; warranty depending on the content and scope	Roof Deck Extension Project	None
Rental contract	Fah Chun Development Limited	2019.05.01-2022.04.30	(Building / Warehouse) Project	None
Engineering contract	S.K.Y. FIRE ENGINEERING CO.,LTD	2019.03.08-2019.09.08 ; 6 months warranty depending on the content and scope	Sprinkler System Ware House Project	None
Engineering contract	MTC Metha Construction Co.,Ltd	2019.07.05-2019.11.16 ; warranty depending on the content and scope	A Reserve Water Tank Project	None
Engineering contract	FAH CHUN DEVELOPMENT CO.,LTD	2020.01.20-2021.05.20; warranty depending on the content and scope	Office and Factory Project (Apex 3)	None

6. Financial Overview

6.1 Five-Year Financial Summary

6.1.1 The condensed balance sheet from 2015 to 2019 - established according to IFRS

Unit: NT\$ thousand

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Current Assets		4,406,408	4,658,638	4,834,332	5,815,440	5,069,495
Fixed Assets		6,130,939	6,177,648	6,319,396	6,260,130	6,067,841
Intangible Assets		23,427	19,997	16,280	37,879	34,924
Other Assets		25,454	41,346	61,105	27,728	135,647
Total Assets		10,586,228	10,897,629	11,231,113	12,141,347	11,808,892
Current Liabilities	Before Allocation	5,179,842	5,057,411	4,809,445	5,270,098	3,471,721
	After Allocation	5,486,329	5,153,035	4,809,445	4,804,862	(Note 3)
Non-current liabilities		1,299,326	1,851,206	2,018,316	862,354	891,682
Total Liabilities	Before Allocation	6,479,168	6,908,617	6,827,761	6,132,452	4,363,403
	After Allocation	6,785,655	7,004,241	6,827,761	5,667,216	(Note 3)
Shareholders' Equity Attributable to Parent		4,084,712	3,965,619	4,379,472	5,981,293	7,412,478
Share Capital		1,225,950	1,225,950	1,445,180	1,702,295	1,890,409
Capital Reserves		1,483,703	1,483,703	1,652,256	1,944,448	2,396,626
Retained Earnings	Before Allocation	1,588,532	1,556,222	1,499,002	2,331,889	2,697,167
	After Allocation	1,282,045	1,460,598	1,499,002	1,866,653	(Note 3)
Other Equity		(213,473)	(300,256)	(216,966)	2,661	428,276
Treasury Shares		-	-	-	-	-
Non-controlling Equity		22,348	23,393	23,880	27,602	33,011
Total Equity	Before Allocation	4,107,060	3,989,012	4,403,352	6,008,895	7,445,489
	After Allocation	3,800,573	3,893,388	4,403,352	5,543,659	(Note 3)

Note 1: The data for 2015~2019 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 2019 earnings was already proposed by the board of directors on March 10, 2020 but is yet to be approved by the shareholders' meeting.

6.1.2 The condensed income statement from 2015 to 2019

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

Item	Year	Financial Summary for The Last Five Years (note 1)				
		2015	2016	2017	2018	2019
Operating Revenue		8,628,752	8,585,106	10,395,323	11,175,098	10,387,249
Gross Profit		1,640,687	1,282,538	1,084,476	1,820,671	1,970,007
Operating profit		799,284	443,441	90,884	834,539	840,789
Non-operating income and expenditure		(175,669)	(78,191)	18,237	6,023	5,116
Net Profit before Tax		623,615	365,250	109,121	840,562	845,905
Current Year's Net Profit from Continuing Operations		534,129	274,532	78,444	833,058	830,650
Loss from Discontinued Operations		-	-	-	-	-
Current Year's Net Profit/Loss		534,129	274,532	78,444	833,058	830,650
Current Year's Other Comprehensive Income (after-tax net amount)		(236,061)	(86,093)	83,300	224,033	430,888
Total Current Year's Comprehensive Income		298,068	188,439	161,744	1,057,091	1,261,538
Net Profit Attributable to Parent		531,517	273,099	78,000	829,425	827,051
Net Profit Attributable to Non-controlling Interest		2,612	1,433	444	3,633	3,599
Total Comprehensive Income Attributable to Parent		296,518	187,394	160,924	1,052,514	1,256,129
Total Comprehensive Income Attributable to Non-controlling Interest		1,550	1,045	820	4,577	5,409
Earnings per Share		4.34	2.23	0.59	5.45	4.46

Note 1: The data for 2015~2019 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
2015	KPMG Accounting Firm	<i>Chun-Shiu Kuang and Li-Li Lyu</i>	Unqualified opinion
2016	KPMG Accounting Firm	<i>Chun-Shiu Kuang and Li-Li Lyu</i>	Unqualified opinion
2017	KPMG Accounting Firm	<i>Min-Ju Chao and Ya-Lin Chen</i>	Unqualified opinion
2018	KPMG Accounting Firm	<i>Min-Ju Chao and Ya-Lin Chen</i>	Unqualified opinion
2019	KPMG Accounting Firm	<i>Min-Ju Chao and Chun-Shiu Kuang</i>	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Financial analysis from 2015 to 2019

Analysis Item (Note 3)		Financial Summary for The Last Five Years (note 1)				
		2015	2016	2017	2018	2019
Financial Structure (%)	Liabilities-to-assets ratio	61.20	63.39	60.79	50.50	36.95
	Ratio of long-term funds to fixed assets	88.18	94.53	101.61	109.76	137.39
Debt-paying Ability (%)	Current ratio	85.07	92.11	100.51	110.34	146.02
	Quick ratio	61.21	62.53	71.59	78.99	94.14
	Interest earned ratio (times)	7.41	4.59	1.95	9.16	13.03
Management Capacity	Accounts receivable turnover rate (time)	3.78	3.34	3.65	3.32	3.17
	Average collection days	96.56	109.28	100.00	109.93	115.14
	Inventory turnover rate (time)	5.95	5.00	6.04	5.78	4.54
	Accounts payable turnover rate (time)	3.16	2.82	3.09	3.03	3.07
	Average inventory turnover days	61.34	73.00	60.43	63.14	80.39
	Fixed assets turnover rate (time)	1.41	1.38	1.64	1.77	1.68
	Total assets turnover rate (time)	0.85	0.79	0.93	0.95	0.86
Profitability	Return on assets (%)	6.00	3.31	1.53	7.83	7.40
	Return on equity (%)	13.00	6.78	1.86	16.00	12.34
	Ratio of before-tax net profit to paid-in capital (%)	50.87	29.79	7.55	49.37	44.74
	Net profit ratio (%)	6.19	3.19	0.75	7.45	7.99
	Earnings per share (NT dollar)	4.34	2.23	0.59	5.45	4.46
Cash Flow	Cash flow ratio (%)	12.00	14.26	19.15	16.33	37.01
	Cash flow adequacy ratio (%)	39.99	37.23	46.37	66.05	74.11
	Cash reinvestment ratio (%)	3.96	4.66	8.15	7.72	6.12
Leverage	Operating leverage	1.70	2.32	7.85	1.80	1.88
	Financial leverage	1.14	1.29	(3.87)	1.14	1.09

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

1. Liabilities-to-assets ratio and Current ratio: The current liabilities in 2019 decreased with the decrease in accounts payable and the convertible bonds, resulting in an increase in current ratio and a decrease in Liabilities-to-assets ratio.
2. Ratio of long-term funds to fixed assets: The higher total equity in year 2019 caused the ratio to increase.
3. Interest earned ratio (times): In the year 2019, due to the decrease in interest expenses, the net profit before interest and taxes increased, resulting in an increase in the ratio.
4. Inventory turnover rate (time) and Average inventory turnover days: The decrease in inventory turnover rate and the increase in turnover days in year 2019 are mainly due to the increase in 1Q 2020 revenue growth which resulting in the higher inventory balance at the end of 2019.
5. Return on equity (%): The higher total equity in year 2019 caused the ratio to decrease.
6. Cash flow adequacy ratio: The cash flows from operating activities in 2019 increased with the recovery of related receivables, and current liabilities also decreased with the decrease in payable and the convertible bonds, resulting in an increase in this ratio.
7. Cash reinvestment ratio (%): The cash dividend was paid in 2019, which resulted in a lower ratio.

Note 1: The data for 2014~2019 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: Glossary:

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 earned ratio (times) = $\text{net income before tax and interest expense payment} / \text{current year's interest expenses}$

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= (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 2019 Financial Statement

Apex International Company Limited
Audit Committee's Review Report

Board of Directors has prepared the Company's 2019 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 10, 2020

6.4 The Financial Statement for the Most Recent Year

Please refer to Annual Report Appendix 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	2018	2019	Difference	
			Amount	%
Current Assets	5,815,440	5,069,495	(745,945)	(12.83)
Net Fixed Assets	6,260,130	6,067,841	(192,289)	(3.07)
Intangible Assets	37,879	34,924	(2,955)	(7.80)
Other Assets	27,728	135,647	107,919	389.21
Total Assets	12,141,347	11,808,892	(332,455)	(2.74)
Current Liabilities	5,270,098	3,471,721	(1,798,377)	(34.12)
Non-current liabilities	862,354	891,682	29,328	3.40
Total Liabilities	6,132,452	4,363,403	(1,769,049)	(28.85)
Share Capital	1,702,295	1,890,409	188,114	11.05
Capital Reserves	1,944,448	2,396,626	452,178	23.25
Retained Earnings	2,331,889	2,697,167	365,278	15.66
Total Shareholders' Equity	6,008,895	7,445,489	1,436,594	23.91

Note: 2018 and 2019 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 Other Assets: Mainly because of the prepayment for investment is increased.
2. Decrease of current Liabilities and Total Liabilities: Mainly because the accounts payable and the convertible bonds is decreased.
3. Increase of Capital Reserves: : The conversion of the convertible bonds resulted in an increase in the capital reserve.
4. 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	2018	2019	Amount of increases or Decrease	Ratio of Change %
Operating Costs	9,354,427	8,417,242	(937,185)	(10.02)
Gross Operating Profit	1,820,671	1,970,007	149,336	8.20
Operating Expenses	986,132	1,129,218	143,086	14.51
Operating Income	834,539	840,789	6,250	0.75
Non-operating Revenue and Expenditure	6,023	5,116	(907)	(15.06)

Item \ Year	2018	2019	Amount of increases or Decrease	Ratio of Change %
Before-tax Net Profit	840,562	845,905	5,343	0.64
Income Tax	7,504	15,255	7,751	103.29
Net Profit for the Year	833,058	830,650	(2,408)	(0.29)
Other comprehensive Income	224,033	430,888	206,855	92.33
Comprehensive Income	1,057,091	1,261,538	204,447	19.34

Note: 2018 and 2019 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 Comprehensive Income: Mainly because of increase on net profit and exchange benefit of financial statements of the foreign operating organization in year 2019.

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

The company has started the plan for the construction of the third plant. It is expected to complete the plant construction in the second quarter of 2021. It is expected that the production capacity will be gradually started in the third quarter of 2021. Therefore, the sales volume is expected to grow steadily next year.

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

The current profitability of APEX has improved, and it is expected to be stable in 2020. So the company is planned to use its own funds and bank borrowing as the financing method for the expansion of the plant. 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	2018	2019	Ratio of Increase (Decrease) %
Operating Activities	860,711	1,285,155	49.31
Investment Activities	(495,529)	(638,262)	28.80
Fundraising Activities	(280,164)	(925,760)	230.44

Explanation for major changes of item:

1. Increase of cash inflow from Operating Activities: Mainly because the recovery of accounts receivable in 2019.
2. Increase of cash outflow from Investment Activities: Mainly because of the prepayment for investment is increased.
3. Increase of cash outflow from Financing Activities: Mainly because of cash dividend paid and repayments of loans in 2019.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: Apex Group's consolidated cash flow is positive and the business condition is good; therefore, liquidity shortage remedy is not required.

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
300	1,838	(1,600)	538	-	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	
			2019	2020
Upgrade automatic equipment	Operating funds and bank loans	2018 Q4	200	-
Phase II of APEX 2	Operating funds and bank loans	2020 Q4	138	500
APEX 3	Operating funds and bank loans	2021 Q2	-	664

7.4.2 Expected Benefit

Phase II of APEX 2 intends to increase the annual output value by about THB 850 million, and the production efficiency of the entire plant can also be improved. It is expected that the relevant net interest rate generated by this increased output value will be between 8% to 11%. The investment of APEX 3 is expected to be divided into three stages, and the annual output value of each stage is about THB 800-900 million, which is expected to drive revenue and profit growth.

7.5 Reinvestment Conducted in the Most Recent Year

Unit: NT\$ thousand

Item Description	Policy	Profit Amount Recognized	Main cause of profit gain or loss	Improvement Plan	Other Future Investment Plans
APT	Production and sales of PCB	857,088	Decent management and operating efficiency	None	None
AET	Supply chain consolidation	(1,787)	Due to the depreciation of the US dollar led to the exchange loss.	APEX will continue to pay attention to exchange rate and also to avoid the risk of exchange rate fluctuations.	None

Investment plan for the next year:

1. On October 3, 2019, the Board of Directors of APT approved to acquire 99.99% shares of Shye Feng Enterprise (Thailand) Co., Ltd. ("APS") to enrich product line. APS's primary business are PCB manufacturing and sales. Its subsidiary was set up in Singapore and mainly for developed PCB sales business.
2. Considering maturity of electronics supply chain in China and competitiveness of Apex, the Board of Directors of APT approved to set up a new subsidiary Apex International Procurement Office (Dong Guan) Ltd. ("APC") in China On January 20, 2020.

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 2019, Apex's interest income respectively accounted for 0.03% of Apex's annual operating revenue whereas the interest expenses respectively made up 0.68% of the operating revenues in that year. Such percentages are relatively low and therefore interest rate changes 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 2019 the net exchange profit was NT\$ 75,771 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 any other 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 aspect.
- (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 as of the date of this 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 as of the date of this annual report , 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 their 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 2019	Forward exchange sold	Contract Amount USD 7,000
	Forward exchange purchased	Contract Amount USD 6,000

APT conducted transactions of forward exchange contracts and foreign exchange options in US dollar in the recent years and as of the date of this annual report . The counterparties 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 2020, the following R&D items and expenditure will be conducted:

Development Item	Mass Production Schedule	Main Item	Present Progress	Expected Expenditure
Auto printing function for solder mask process and faster changing ability	2020 Q3	Automatic positioning of printing tools	Trial	USD 0.6 million
Lab for reliability ability	2020 Q3	Passed ISO17025:2015 Reliability Test Lab Certification	In Process	USD 3 million
Develop the high reliability automotive board production process	2020 Q3	Develop production process for highly reliable automotive panels	Has been recognized by the customer in the first stage, and the customer is currently undergoing pre-production verification	USD 2 million
Gold finger process developing	2021 Q3	Cardboard production capacity	Completed equipment construction	USD 1.5 million
MES system developing	2021 Q4	Production Control System of APEX 3	Completed the system hardware construction and operating functions	USD 3 million

4. Influence of important policy and law changes in and outside the country on company financial operations and countermeasures:

Apex is registered in the Cayman Islands and operates mainly in Thailand. Provision of financial services is the principal economic activity of the Cayman Islands. Thailand is a major economy in Southeast Asia with open economic policies and no exchange control and its political and economic environments are rather stable today. The products developed and sold by Apex are applied in various electronic products. They are consumer products and Apex therefore does not belong to an industry that requires special permission or is restricted. Hence, Apex's financial operations are unlikely to be affected by important policy or law changes in the Cayman Islands or Thailand. Moreover, Apex conducts its operations in compliance with important policies and laws in and outside the country and also pays attention to the tendencies of important policies and law changes in and outside the country in order to take appropriate countermeasures in response to changes in the market and the environment.

5. Influence of technological and industrial changes on company financial operations and countermeasures:

Apex keeps track of changes in related technologies and market tendencies and assesses their influence on company management. In the most recent years and as of the date of this annual report, there were no important technological or industrial changes of significant influence on Apex's financial operations.

6. Influence of change of corporate image on corporate crisis management and countermeasures:

Apex Group became listed at Taipei Exchange (TPEX, formerly known as the GTSM) in

the Republic of China on 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 as of the date of this 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 has already started the construction of APEX 3 in 2020. It is expected that the new monthly production capacity will be 70,000 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 uncertainty: 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 as of the date of this annual report , none of one single client has solely accounted for over 20% of Apex's annual sales. Aside from the top two clients, the purchases from each client accounted for is 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 as of the date of this annual report ; therefore this is not applicable for Apex.
12. Litigation or non-litigation events: None
13. Other important risks and countermeasures:
 - 13.1 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.

13.2 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. In 2019, the British Cayman Islands announced the implementation of the Cayman Islands Economic Substantive Act, exempted companies must report the final beneficiary information to the British Cayman Islands company registry. While APEX is a Taiwan public company, according to the reporting requirements, it only needs to report the company's information and does not need to submit or declare the detailed capital of shareholders to the British Cayman Islands Companies Registry.
- 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 R.O.C. 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 R.O.C., 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 R.O.C. (hereinafter referred to as R.O.C. court decisions) may be enforced in the Cayman Islands. However, according to the Common Law, if R.O.C. 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 R.O.C. 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. Totalling 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 66 million (2019). 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 July 2011, the Pheu Thai Party won more than half of the congress seats under the leadership of Yingluck who then became the prime minister. However, in October and November of the same year, torrential rains flooded the country. Three quarters of land was inundated. It was the worst flooding in six decades and created around 350 billion bahts of damages to Thai industries and agriculture. In 2012, the country was able to pull out of the crisis due to the government's effective policies to stimulate economic progress, including increasing the minimum wage to upgrade consumers' earnings, promote domestic demand, reducing business tax and providing car purchase subsidies, etc. These measures successfully pushed up consumption and industrial development and in turn enabled the economic growth to reach 6.5 % that year. In 2013, however, since the base period was higher earlier, plus the political unrest in October, the economic growth was only 1.7%. In 2014, the new prime minister of military promoted the economist Somkid Jatusripitak as Deputy Prime Minister to revive the Thai economy. The economic growth rate of 2014 was less than 1%. The economic growth rate in 2015 was about 2.9%. In 2016, "Thailand 4.0" was first proposed to stimulate economy. Even Thailand encountered sorrowful event in 2016 and surrounded by sadness atmosphere of 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

goal is to target Thailand as a marine transportation center in Southeast Asia, and provide a clear direction for the future of Thai economy. 2016 GDP growth rate is 3.4%, 2017 GDP growth rate is 4.0% and 2018 GDP growth rate is 4.1%, and 2019 GDP decline to 2.4%.

(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.

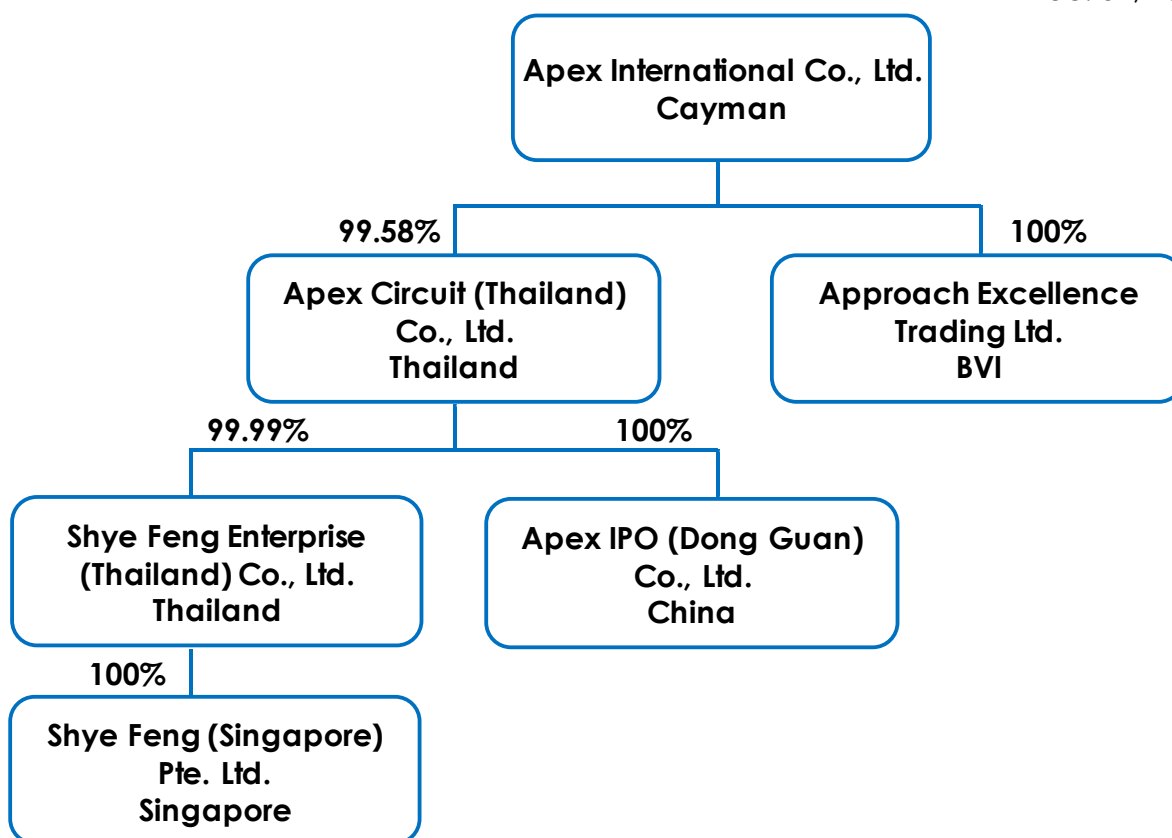
7.6 Other Important Matters None

8. Additional Information

8.1 Information on Affiliates

8.1.1 Organization charts of affiliates

Dec. 31, 2019



- API and Taiwan Branch 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.
- 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.
- APEX obtained 99.99% shares of Shye Feng Enterprise (Thailand) Co., Ltd. on October 03, 2019 through the resolution of the board of directors. It was acquired on January 03, 2020. Its main business is the manufacture and sale of printed circuit boards. Its subsidiary, Shye Feng (Singapore) Pte. Ltd., was established in Singapore and its main operating project is to expand its printed circuit board business.
- APEX has newly invested subsidiary APC in China in February 2020, but as of March 31, 2020, no capital injection has been made.

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

Dec. 31, 2019

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business of Production Items
Apex Circuit (Thailand) Co., Ltd.	2001.9.27	39/234-236 Moo 2, Rama 2 Road, Tambol Bangkrachao, Amphur Muang, Samutsakhon 74000, Thailand	THB 1,438,000,000	Production and sales of PCBs
Approach Excellence Trading Ltd.	2010.11.25	Palm Grove House,P.O. Box438,Road Town,Tortola,British Virgin Islands	NT\$ 10,000,000	Import and export business

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.

Dec. 31, 2019

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

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

Dec. 31, 2019

Name of Enterprise	Title	Name or Representative	Shareholding	
			No. of Shares	Shareholding Ratio (%)
Apex Circuit (Thailand) Co., Ltd.	Chairman	<i>Shu-Mu Wang (also as CSO)</i>	11	0.00
	Director and CEO	<i>Jui-Hsiang Chou (also as CEO)</i>	0	0.00
	Director	<i>Maliwan Chinvorakijul</i>	0	0.00
	Director	<i>Greg Lucini</i>	0	0.00
	Independent Director	<i>Jesadavat Priebjrivat</i>	0	0.00
	Independent Director	<i>Thong chai Nitithum</i>	0	0.00
Approach Excellence Trading Ltd.	Chairman	<i>Shu-Mu Wang</i>	0	0.00
	Manager	<i>Shou-Hua Hsu</i>	0	0.00

8.1.6 Business status of affiliates

Dec. 31, 2019; 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 11,654,522	THB 3,865,712	THB 7,788,810	THB 10,427,919	THB 876,024	THB 863,935	THB 4.60
Approach Excellence Trading LTD.	NT\$ 10,000	NT\$ 42,180	NT\$ 30,955	NT\$ 11,225	NT\$ 104,928	NT\$ -1,593	NT\$ -1,787	NT\$ 0

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 November, 2018 (hereinafter "Shareholders' Rights Protection Checklist"). Apex intends to amend the M&A at the regular shareholders' meeting of 2020 to include the latest requirements of Shareholders' Rights Protection Checklist for the protection of shareholders' rights and interests as amended in December 2019. 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 2019

Title/Name	Date	Organizer (Note)	Course Name	Course Hours	Education Meets Regulations or not
Chairman Shu-Mu Wang	2019.06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	

Title/Name	Date	Organizer (Note)	Course Name	Course Hours	Education Meets Regulations or not
Director & General manager Jui-Hsiang Chou	2019.06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	
Director Yung-Yuan Cheng	2019.06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	
Director Shun-Chung Lee	2019.06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	
Director & Vice President & Chief Corporate Governance Officer Sen-Tien Wu	2019.06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	
	2019.07.15	TCGA	Review and negotiation of the company's important operating contracts	3	Yes
			Judicial Investigation and Trial Practice of Insider Trading	3	
	2019.10.04	TWSE	ESG Investment Forum	2	Yes
	2019.11.06	TWSE	Meeting of implementing effective Directors functions	3	Yes
2019.11.27	TCGA	The 15 th International Summit on Corporate Governance	6	Yes	
Director Somkiat Krajangjaeng	2019.06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	
Director Tu-Chuan Chen	2019.06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes

Title/Name	Date	Organizer (Note)	Course Name	Course Hours	Education Meets Regulations or not
Director Tu-Chuan Chen	2019. 06.05	TCGA	New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	Yes
	2019. 07.15	TCGA	Review and negotiation of the company's important operating contracts	3	Yes
			Judicial Investigation and Trial Practice of Insider Trading	3	Yes
Director Chao-Ting Lin	2019. 06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	Yes
	2019. 07.15	TCGA	Review and negotiation of the company's important operating contracts	3	Yes
			Judicial Investigation and Trial Practice of Insider Trading	3	Yes
Independent Director Chau-Chin Su	2019. 06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	
Independent Director Yung-Tsai Chen	2019. 06.05	TCGA	An overview of environmental regulations and compliance with corporate environmental regulations	3	Yes
			New amendments to corporate law (Concurrently discussing the integrity management of corporate governance)	3	
Independent Director Jesadavat Pribjrivat	2019. 07.15	TCGA	Review and negotiation of the company's important operating contracts	3	Yes
			Judicial Investigation and Trial Practice of Insider Trading	3	
Accounting managerial Personnel Shou Hua Hsu	2019. 03.25	ARDF	Practice Class for Preparation of Consolidated Financial Statements	6	Yes
	2019. 03.26	ARDF	Parsing of International Tax Trend Issues and Practice.	3	Yes
	2019. 10.29	SFI	Parsing of IFRS 15 " Revenue from Contracts with Customers".	3	Yes

Note: TCGA - Taiwan Corporate Governance Association

ARDF - Accounting Research and Development Foundation

TWSE - Taiwan Stock Exchange Corporation

SFI - Securities & Futures Institute

8.5.3 The Company evaluates the independence of CPAs in 2019 are as follows :

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

■ CPA **Min-Ju Chao** and CPA **Chun-Shiu Kuang**

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

2019 Financial Statements

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

Consolidated Financial Statements

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

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.

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Apex International Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures included:

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

2. Subsequent measurements of inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures included:

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters significant in our audit of the consolidated financial statements for the years ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Min-Ju Chao and Chun-Hsiu Kuang.

KPMG

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

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018				December 31, 2019		December 31, 2018	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
11xx	Current assets:					21xx	Current liabilities:				
1100	Cash and cash equivalents (note 6(a))	\$ 299,901	3	410,268	3	2100	Short-term loans (notes 6(f), (i), 7, 8 and 9)	\$ 899,218	8	1,287,170	11
1110	Financial assets measured at fair value through profit or loss – current (notes 6(b), (k) and (q))	3,474	-	4,401	-	2120	Financial liabilities measured at fair value through profit or loss – current (note 6(b))	3,290	-	191	-
1170	Accounts receivable, net (notes 6(c) and (s))	2,871,444	25	3,643,989	30	2170	Accounts payable	1,366,881	12	2,283,616	19
1200	Other receivables (note 6(d))	35,726	-	42,988	-	2200	Other payables (note 7)	385,148	3	427,934	4
130x	Inventories (notes 6(e) and 9)	1,800,906	15	1,652,363	14	2213	Payable for machinery and equipment	212,591	2	228,758	2
1479	Other current assets	58,044	-	61,431	1	2230	Current tax liabilities	-	-	872	-
	Total current assets	<u>5,069,495</u>	<u>43</u>	<u>5,815,440</u>	<u>48</u>	2280	Current lease liabilities (notes 3(a), 6(f), (g), (l), (m), 7, and 8)	145,310	1	149,677	1
15xx	Non-current assets:					2321	Current portion of convertible bonds payable (notes 6(k) and (q))	17,797	-	609,649	5
1510	Financial asset measured at fair value through profit or loss – non-current (notes 6(b), (k) and (q))	-	-	170	-	2322	Current portion of long-term loans (notes 6(f), (j), 7, and 8)	422,093	4	262,348	2
1600	Property, plant and equipment (notes 3(a), 6(f), (g), (h), (i), (j), (l), (m), 8 and 9)	6,067,841	52	6,260,130	52	2399	Other current liabilities	19,393	-	19,883	-
1755	Right-of-use asset (notes 3(a), 6(f), (g), (l), 7 and 8)	500,985	4	-	-		Total current liabilities	<u>3,471,721</u>	<u>30</u>	<u>5,270,098</u>	<u>44</u>
1780	Intangible assets (notes 6(f) and (h))	34,924	-	37,879	-	25xx	Non-Current liabilities:				
1840	Deferred tax assets (note 6(p))	16,109	-	12,227	-	2530	Convertible bonds payable (notes 6(k) and (q))	-	-	44,946	-
1915	Prepayment for equipment	22,157	-	7,364	-	2540	Long-term loans (notes 6(f), (j), 7, and 8)	679,451	6	584,764	5
1920	Refundable deposits	7,928	-	8,137	-	2570	Deferred tax liabilities (note 6(p))	52,180	-	46,242	1
1960	Prepayment for investment (notes 4(c) and 7)	83,251	1	-	-	2580	Non-current lease liabilities (notes 3(a), 6(f), (g), (l), (m), 7, and 8)	99,050	1	122,606	1
1980	Other financial assets – non-current (notes 6(a), (j) and 8)	6,202	-	-	-	2612	Long-term payable	11,033	-	21,771	-
	Total non-current assets	<u>6,739,397</u>	<u>57</u>	<u>6,325,907</u>	<u>52</u>	2670	Other non-current liabilities (notes 6(m), and (o))	49,968	-	42,025	-
							Total non-current liabilities	<u>891,682</u>	<u>7</u>	<u>862,354</u>	<u>7</u>
						2xxx	Total liabilities	<u>4,363,403</u>	<u>37</u>	<u>6,132,452</u>	<u>51</u>
						31xx	Equity attributable to owners of parent (notes 6(k), (p) and (q)):				
						3110	Common stock	1,890,409	16	1,702,295	14
						3200	Capital surplus	2,396,626	20	1,944,448	16
						3300	Retained earnings	2,697,167	23	2,331,889	19
						3410	Exchange differences on translation of foreign financial statements	428,276	4	2,661	-
							Total equity attributable to owners of parent	<u>7,412,478</u>	<u>63</u>	<u>5,981,293</u>	<u>49</u>
						36xx	Non-controlling interests	33,011	-	27,602	-
						3xxx	Total equity	<u>7,445,489</u>	<u>63</u>	<u>6,008,895</u>	<u>49</u>
1xxx	Total assets	<u>\$ 11,808,892</u>	<u>100</u>	<u>12,141,347</u>	<u>100</u>	2-3xxx	Total liabilities and equity	<u>\$ 11,808,892</u>	<u>100</u>	<u>12,141,347</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Retained earnings					Exchange differences on translation of foreign operation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Special reserve	Unappropriated retained earnings	Total				
Balance at January 1, 2018	\$ 1,445,180	1,652,256	300,256	1,198,746	1,499,002	(216,966)	4,379,472	23,880	4,403,352
Profit	-	-	-	829,425	829,425	-	829,425	3,633	833,058
Other comprehensive income	-	-	-	3,462	3,462	219,627	223,089	944	224,033
Total comprehensive income	-	-	-	832,887	832,887	219,627	1,052,514	4,577	1,057,091
Conversion of convertible bonds	257,115	264,652	-	-	-	-	521,767	-	521,767
Equity component from convertible bonds issued	-	27,540	-	-	-	-	27,540	-	27,540
Changes in non-controlling interests	-	-	-	-	-	-	-	(855)	(855)
Balance at December 31, 2018	1,702,295	1,944,448	300,256	2,031,633	2,331,889	2,661	5,981,293	27,602	6,008,895
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary share	-	-	-	(465,236)	(465,236)	-	(465,236)	-	(465,236)
Profit	-	-	-	827,051	827,051	-	827,051	3,599	830,650
Other comprehensive income	-	-	-	3,463	3,463	425,615	429,078	1,810	430,888
Total comprehensive income	-	-	-	830,514	830,514	425,615	1,256,129	5,409	1,261,538
Conversion of convertible bonds	188,114	452,178	-	-	-	-	640,292	-	640,292
Balance at December 31, 2019	\$ 1,890,409	2,396,626	300,256	2,396,911	2,697,167	428,276	7,412,478	33,011	7,445,489

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Apex International Co., Ltd. (the “Company”) was established in the Cayman Islands on October 28, 2009. The main purpose of the establishment, which resulted from organizational restructuring, was to apply for emerging stock registration on the Taipei Exchange (TPEX) in the Republic of China. After restructuring, the Company became the holding company of Apex Circuit (Thailand) Co., Ltd. (Apex Circuit (Thailand)), which is located in Thailand, and became a listed company on the TPEX in the Republic of China (R.O.C.) on October 18, 2011. The Company then changed its listing from the TPEX to the Taiwan Stock Exchange (TWSE) in the R.O.C. on September 8, 2015. Apex Circuit (Thailand) mainly manufactures and sells electronic printed circuit boards, please refer to note 14 for related information. The Company and its subsidiaries are hereinafter referred to as the Group.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

The Group applied IFRS 16 using the modified retrospective approach in measuring its right-of-use assets with lease liability, with no restatement of comparative information. The details of the changes in accounting policies are disclosed below.

(i) Definition of a lease

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

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

(ii) As a lessee

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

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

- Leases classified as operating leases under IAS 17

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

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

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

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

- Leases previously classified as finance leases

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

(iii) Sale-and-leaseback

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

(iv) Impacts on financial statements

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

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

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

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

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

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

<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 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

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

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

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

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

(4) Summary of significant accounting policies:

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

Except for note 3, 4(j) that disclose the changes in accounting policies, the significant accounting policies presented in the consolidated financial statements are summarized as follows:

- (a) Statement of compliance

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

(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 liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(n).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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

(ii) List of subsidiaries in the consolidated financial statements

The Company's subsidiaries were as follows:

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)	
			December 31, 2019	December 31, 2018
The Company	Apex Circuit (Thailand) Co., Ltd. (Apex Circuit (Thailand))	PCB manufacturing and sales	99.58 %	99.58 %

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

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)	
			December 31, 2019	December 31, 2018
The Company	Approach Excellence Trading Ltd. (incorporated in British Virgin Islands) (AET)	Supply chain integration	100.00 %	100.00 %
Apex Circuit (Thailand)	Apex Electronics (Shen Zhen) Co., Ltd. (APC)	PCB import and export	- % (note)	100.00 % (note)

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

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

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

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

(ii) Foreign operations

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

(Continued)

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

(f) Cash and cash equivalents

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

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

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

(Continued)

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Compound financial instruments

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

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

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

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

4) Financial liabilities

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

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

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

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

(iii) Derivative financial instruments

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

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

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

(j) Lease

Applicable from January 1, 2019

(i) Identifying a lease

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

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

(Continued)

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

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

(ii) As a lessee

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

Applicable before January 1, 2019

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

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

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

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

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

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

(k) Intangible assets

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

(i) Subsequent expenditure

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

(ii) Amortization

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

The Group held software as intangible assets and amortization of intangible assets is recognized in profit or loss on a straight-line basis over 5 years from the date that they are available for use.

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

(l) Impairment of non-derivative financial assets

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

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

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

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

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

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

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

(m) Recognition of Revenue

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

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

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iv) Short-term employee benefits

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

(o) Income taxes

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

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

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

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

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

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

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

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

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

(p) Earnings per share

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

(q) Segment information

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

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

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is valuation of inventories. As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the subsequent measurements of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

	December 31, 2019	December 31, 2018
Restricted bank deposit	<u><u>\$ 6,202</u></u>	<u><u>-</u></u>

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

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

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

(i) Financial assets measured at fair value

1) Current

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

2) Non-current

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

(ii) Financial liabilities measured at fair value

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

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

The Group uses derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to arising from its operating, financing, and investing activities. As these derivative financial instruments did not qualify for hedge accounting, the Group held the following derivative financial instruments as held-for-trading financial assets (liabilities) as of December 31, 2019 and 2018.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Forward exchange contracts:

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

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

(c) Accounts receivable

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

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2019 and 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomics and relevant industry information.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Group's analyses of the expected credit loss on its accounts receivable in the regions of Taiwan and Mainland China as of December 31, 2019 and 2018 were as follows:

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

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

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

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

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

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

	December 31, 2018		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 472,875	-	-
Past due 1~30 days	43,230	-	-
Past due 31~60 days	1,628	-	-
	\$ 517,733		-

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

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

	December 31, 2018		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,152,613	-	-
Past due 1~30 days	253,215	-	-
Past due 31~60 days	8,979	-	-
Past due 91~120 days	252	-	-
	\$ 1,415,059		-

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

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

	December 31, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 632,795	-	-
Past due 1~30 days	72,632	-	-
Past due 31~60 days	53,532	-	-
Past due 61~90 days	11,772	-	-
Past due 91~120 days	1,163	-	-
Past due 121~180 days	<u>1,372</u>	-	-
	<u>\$ 773,266</u>		<u>-</u>
	December 31, 2018		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,107,465	-	-
Past due 1~30 days	118,869	-	-
Past due 31~60 days	5,700	-	-
Past due 61~90 days	232	-	-
Past due 91~120 days	<u>519</u>	-	-
	<u>\$ 1,232,785</u>		<u>-</u>

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

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

(d) Other receivables

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Group does not have any past due other receivables as of December 31, 2019 and 2018.

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

(e) Inventories

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

	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	\$ 1,758,613	(106,250)	1,652,363

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

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

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

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(f) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the years ended December 31, 2019 and 2018, were as follows:

	Land	Land improvement	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased equipment	Leasehold improvement	Unfinished construction and equipment undergoing acceptance testing	Total
Cost:										
Balance at January 1, 2019	\$ 330,635	7,744	2,107,327	6,935,908	10,342	405,227	636,559	12,551	80,034	10,526,327
Additions	-	100	55,906	225,490	-	42,507	-	-	180,885	504,888
Disposals	-	-	-	(75,441)	-	(9,070)	-	(2,303)	-	(86,814)
Reclassification (note)	-	-	657	237,775	1,802	170	(636,559)	-	(62,572)	(458,727)
Translation effect	20,902	491	133,959	443,533	768	25,951	-	654	6,605	632,863
Balance at December 31, 2019	\$ <u>351,537</u>	<u>8,335</u>	<u>2,297,849</u>	<u>7,767,265</u>	<u>12,912</u>	<u>464,785</u>	<u>-</u>	<u>10,902</u>	<u>204,952</u>	<u>11,118,537</u>
Balance at January 1, 2018	\$ 318,861	7,468	1,949,895	6,377,653	9,836	346,092	895,194	11,751	98,560	10,015,310
Additions	-	-	78,372	192,341	2,634	49,601	-	766	74,207	397,921
Disposals	-	-	(1,166)	(248,915)	(2,494)	(4,967)	-	(330)	-	(257,872)
Reclassification	-	-	6,781	373,876	-	997	(286,776)	-	(95,998)	(1,120)
Translation effect	11,774	276	73,445	240,953	366	13,504	28,141	364	3,265	372,088
Balance at December 31, 2018	\$ <u>330,635</u>	<u>7,744</u>	<u>2,107,327</u>	<u>6,935,908</u>	<u>10,342</u>	<u>405,227</u>	<u>636,559</u>	<u>12,551</u>	<u>80,034</u>	<u>10,526,327</u>
Accumulated depreciation and impairment losses:										
Balance at January 1, 2019	\$ -	3,171	663,123	3,247,956	7,777	228,636	106,791	8,743	-	4,266,197
Depreciation	-	848	119,760	518,046	1,111	43,959	-	2,026	-	685,750
Impairment loss	-	-	-	12,165	-	-	-	-	-	12,165
Disposals	-	-	-	(71,589)	-	(8,583)	-	(2,303)	-	(82,475)
Reclassification (note)	-	-	-	4,025	931	-	(106,791)	-	-	(101,835)
Translation effect	-	212	43,485	211,366	565	14,824	-	442	-	270,894
Balance at December 31, 2019	\$ <u>-</u>	<u>4,231</u>	<u>826,368</u>	<u>3,921,969</u>	<u>10,384</u>	<u>278,836</u>	<u>-</u>	<u>8,908</u>	<u>-</u>	<u>5,050,696</u>
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	\$ <u>-</u>	<u>3,171</u>	<u>663,123</u>	<u>3,247,956</u>	<u>7,777</u>	<u>228,636</u>	<u>106,791</u>	<u>8,743</u>	<u>-</u>	<u>4,266,197</u>
Carrying amount:										
Balance at December 31, 2019	\$ <u>351,537</u>	<u>4,104</u>	<u>1,471,481</u>	<u>3,845,296</u>	<u>2,528</u>	<u>185,949</u>	<u>-</u>	<u>1,994</u>	<u>204,952</u>	<u>6,067,841</u>
Balance at December 31, 2018	\$ <u>330,635</u>	<u>4,573</u>	<u>1,444,204</u>	<u>3,687,952</u>	<u>2,565</u>	<u>176,591</u>	<u>529,768</u>	<u>3,808</u>	<u>80,034</u>	<u>6,260,130</u>
Balance at January 1, 2018	\$ <u>318,861</u>	<u>5,177</u>	<u>1,415,570</u>	<u>3,616,655</u>	<u>996</u>	<u>156,576</u>	<u>702,289</u>	<u>4,712</u>	<u>98,560</u>	<u>6,319,396</u>

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

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

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

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

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

	2019	2018
Impairment loss	\$ 12,165	896

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

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

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

(g) Right-of-use assets

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

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

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

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

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

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

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

(h) Intangible assets

	<u>Software</u>
Costs:	
Balance at January 1, 2019	\$ 98,441
Additions	5,782
Reclassification from property, plant and equipment	530
Translation effect	6,268
Balance at December 31, 2019	<u>\$ 111,021</u>
Balance at January 1, 2018	\$ 64,090
Additions	30,345
Reclassification from property, plant and equipment	1,120
Translation effect	2,886
Balance at December 31, 2018	<u>\$ 98,441</u>

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

(i) Short-term loans

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

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

(j) Long-term loans

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(i) Collateral for loans

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

(ii) Loan contract

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

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

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

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

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

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

- a) The current ratio (current asset/current liability) must exceed 80%.
- b) The debt ratio (liability/tangible net asset) cannot exceed 200%.
- c) The shareholding percentage of the subsidiary of the Company, Apex Circuit (Thailand), shall be maintained at a certain level.

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

As of December 31, 2019 and 2018, the Group did not breach the commitment clause mentioned above.

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

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

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

(k) Corporate bonds payable

	December 31, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Total amount of convertible bonds	\$ 650,000	600,000	1,250,000
Less: Discount on issuing convertible bonds	64,350	29,760	94,110
Underwriting expense	4,027	6,681	10,708
Discounted present value of bonds payable when issued	581,623	563,559	1,145,182
Amortization of discount on bonds payable	61,392	5,498	66,890
Reversal of discount on bonds payable conversion	6,985	30,440	37,425
Less: Accumulated converted amount	650,000	581,700	1,231,700
Ending balance of bonds payable	\$ -	17,797	17,797

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	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

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

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

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

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

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

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

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

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

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

The second unsecured convertible bonds

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

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

- 4) Conversion period:

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

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

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

- 6) Bondholders' put option:

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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7) Conversion price and adjustment:

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

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

The third unsecured convertible bonds

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

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

4) Conversion period:

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

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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6) Bondholders' put option:

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

7) Conversion price:

The record date of convertible bonds was April 26, 2018, with the benchmark price calculated by either 1, 3, or 5-day arithmetic average of the closing prices of the Group's common stock before the record date; and the conversion price (rounded to the nearest tenth NTD) calculated by multiplying the benchmark price by 102.8%, which is the conversion minimum rate. If the ex-dividend or ex-right occurs before the record date, its impact on the closing price should first be excluded in order to arrive at the closing price used to calculate the conversion price. However, if the ex-dividend or ex-right occurs between the record date and the issuance date, the conversion price will have to be adjusted by using the prescribed formula. After considering the above measurements, the conversion price as of December 31, 2019 is amounting to NT\$20.40 per share.

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

	December 31, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ -	170	170
Valuation gain	146	(56)	90
Conversion	(146)	(98)	(244)
Ending balance	<u>\$ -</u>	<u>16</u>	<u>16</u>
	December 31, 2018		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Issuance	\$ -	(2,220)	(2,220)
Valuation gain	-	4,293	4,293
Conversion	-	(1,903)	(1,903)
Ending balance	<u>\$ -</u>	<u>170</u>	<u>170</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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- (iii) The balance of the equity component recorded as capital surplus – stock warrants are as follows:

	December 31, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ 60,057	2,166	62,223
Less: conversion	<u>60,057</u>	<u>1,327</u>	<u>61,384</u>
Ending balance	<u><u>\$ -</u></u>	<u><u>839</u></u>	<u><u>839</u></u>
	December 31, 2018		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ 60,057	-	60,057
Addition in this period	-	27,540	27,540
Less: conversion	<u>-</u>	<u>25,374</u>	<u>25,374</u>
Ending balance	<u><u>\$ 60,057</u></u>	<u><u>2,166</u></u>	<u><u>62,223</u></u>

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

- (l) Lease liabilities

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

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

For the finance lease liability of the Group, any excess of sales proceeds over the carrying amount (unrealized gain on sale and leaseback) was recognized as a deduction from depreciation over the lease term. As of December 31, 2019, the unrealized gain from the sale and leaseback was fully amortized.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The amounts recognized in profit or loss were as follows:

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

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

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

(i) Real estate leases

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

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

(ii) Other leases

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

(iii) Sale-and-leaseback

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

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

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

(m) Finance lease liabilities

The details of finance lease liabilities are as follows:

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

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

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

(n) Operating leases

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

	December 31, 2018
Less than one year	\$ 50,566
Between one and five years	52,597
	\$ 103,163

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

Operating lease expenses were as follows:

	2018
Operating costs	\$ 28,079
Operating expenses	30,417
	\$ 58,496

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(o) Employee benefits

(i) Defined benefit plans

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

	December 31, 2019	December 31, 2018
Net defined benefit liability	\$ <u>45,144</u>	<u>38,075</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:

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

2) Expenses recognized in profit or loss

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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- 3) Remeasurements of the net defined benefit liability recognized under other comprehensive income

The Group's remeasurements of the net defined benefit liability recognized in other comprehensive income as of 2019 and 2018 were as follows:

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

- 4) Actuarial assumptions

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

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

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

The weighted average duration of the defined benefit plan is 13.84 year.

- 5) Sensitivity analysis for actuarial assumption

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

As of December 31, 2019 and 2018, the effect of changes in actuarial assumption on the present value of the defined benefit obligation was as follows:

	<u>The effect of defined benefit obligation</u>	
	<u>Increase1.00%</u>	<u>Decrease1.00%</u>
At December 31, 2019		
Discount rate (changes 1.00%)	(5,514)	6,691
Future salary adjustment rate (changes 1.00%)	6,644	(5,578)

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

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

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

(ii) Defined contribution plans

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

The Group's pension costs under the defined contribution method were \$827 thousand and \$734 thousand for 2019 and 2018, respectively. Payment was made to the Bureau of Labor Insurance.

(i) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$4,823 thousand and \$3,919 thousand as of December 31, 2019 and 2018, respectively.

(p) Income taxes

The Company was incorporated in the Cayman Islands, where income tax is not required to be paid. Under the tax regulations of Thailand, the maximum statutory income tax rate applicable to Apex Circuit (Thailand) was 20% in 2019 and 2018. APEX II, a new factory for Apex Circuit (Thailand), was approved by the Board of Investment of Thailand to have an exemption period between May 12, 2014 and May 11, 2022; while APEX I received an extension and renewal on its exemption period between January 1, 2018 and December 31, 2021. AET's Taiwan Branch and the Company's Taiwan Branch are subject to a maximum income tax rate of 20% in accordance with the Income Tax Act, and the Income Basic Tax Act has been applied to the calculation of AET's Taiwan Branch and the Company's Taiwan Branch's basic income tax. APC is subject to a maximum income tax rate of 25% in accordance with the Corporate Income Tax Law of the People's Republic of China.

(i) Income tax expense

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

(Continued)

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

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

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

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

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Tax losses	\$ <u>22,891</u>	<u>18,789</u>

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

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

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

The Group's estimated unused loss carry-forwards up to 2019 and 2018, were as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Year of expiry</u>
2014	\$ 10,032	2024
2015	21,859	2025
2016	20,213	2026
2017	21,401	2027
2018	20,441	2028
2019	20,510	2029
	<u>\$ 114,456</u>	

2) Recognized deferred tax assets and liabilities

Deferred tax liabilities:

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

Deferred tax assets:

	<u>Defined benefit plans</u>	<u>Unrealized impairment losses</u>	<u>Difference between tax purpose and financial reporting purpose for useful life of fixed assets</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2019	\$ 5,764	26	5,870	567	12,227
Recognized in profit or loss	1,155	2,055	(467)	346	3,089
Recognized in other comprehensive income	(13)	-	-	-	(13)
Effect in exchange rate	379	26	365	36	806
Balance at December 31, 2019	<u>\$ 7,285</u>	<u>2,107</u>	<u>5,768</u>	<u>949</u>	<u>16,109</u>
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>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iii) Examination and approval

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

In Thailand, where Apex Circuit (Thailand) Co., Ltd. operates, income taxes do not require approval by the tax authority. Income taxes paid in prior years have received income tax receipts up to 2018. The income tax return of AET and the Company's Taiwan Branch had been approved by the revenue department through 2017.

(q) Share capital and other equity

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

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

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

(i) Issuance of common stock

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(ii) Capital surplus

The balance of capital surplus was as follows:

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

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

(iii) Retained earnings

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

- 1) Employees' bonus of 2% maximum.
- 2) Remuneration to directors and supervisors of 2% maximum.
- 3) Shareholders' dividend should not be lower than 10%, and its distribution should be based on the proportion of shares held by each shareholder. Board of Director should consider the actual operating conditions, future capital expenditures or other operating related significant matter in proposing the distribution of the unappropriated retained earnings in the beginning of the year.

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iv) Special reserve

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

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

(v) Distribution of earnings

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

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

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

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(r) Earnings per share

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

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

(s) Revenues from contracts with customers

(i) Disaggregation of revenue

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

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

(ii) Remaining balances of contract

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

(t) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

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

(ii) Other gains and losses

The details of other gains and losses are as follows:

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

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

(iii) Finance cost

The details of finance cost are as follows:

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

(u) Financial instruments

(i) Credit risk

1) Risk exposure

The book value of financial assets represents the maximum risk exposure. The maximum risk exposure amounts were \$3,224,675 thousand and \$4,109,953 thousand as at December 31, 2019 and 2018, respectively.

2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. The Group's accounts receivable are obviously concentrated on three main customers, which accounted for 40% and 46% of the total amount of notes and accounts receivable as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's accounts receivable concentrated on three main customers were \$1,140,802 thousand and \$1,685,888 thousand, respectively.

3) Credit risk of accounts receivable

Please refer to note 6(c) for information on credit risk of accounts receivable; and note 6(d) for details of other receivables. All of other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instrument are considered to have low credit risk, please refer to note 4(g).

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
December 31, 2019					
Non-derivative financial liabilities					
Secured bank loans	\$ 465,045	485,818	224,187	120,184	141,447
Unsecured bank loans	1,535,717	1,575,499	1,128,841	21,438	425,220
Lease liabilities	244,360	255,774	152,807	69,781	33,186
Convertible bonds payable (including derivative financial assets)	17,781	18,300	18,300	-	-
Accounts payable (including payables on equipment)	1,579,472	1,579,472	1,579,472	-	-
Other payables	295,115	295,115	295,115	-	-
Long-term payable	11,033	11,033	-	11,033	-
Derivative financial liabilities					
Other forward contract—					
Inflow	3,290	3,290	3,290	-	-
	<u>\$ 4,151,813</u>	<u>4,224,301</u>	<u>3,402,012</u>	<u>222,436</u>	<u>599,853</u>
December 31, 2018					
Non-derivative financial liabilities					
Secured bank loans	\$ 509,922	540,572	281,717	159,729	99,126
Unsecured bank loans	1,624,360	1,644,400	1,300,191	344,209	-
Lease liabilities	272,283	284,478	158,269	95,497	30,712
Convertible bonds payable (including derivative financial assets)	654,595	654,595	609,649	-	44,946
Accounts payable (including payables on equipment)	2,512,374	2,512,374	2,512,374	-	-
Other payables	329,695	329,695	329,695	-	-
Long-term payable	21,771	21,771	-	21,771	-
Outflow	191	191	191	-	-
	<u>\$ 5,925,191</u>	<u>5,988,076</u>	<u>5,192,086</u>	<u>621,206</u>	<u>174,784</u>

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iii) Currency risk

1) Currency risk exposure

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

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

2) Sensitivity analysis

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

A 5% strengthening of the NTD against the USD as at December 31, 2019 and 2018, would have decreased net profit before tax for the years ended December 31, 2019 and 2018, by \$11,000 and \$30,000, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

3) Exchange gains and losses on monetary items

Due to the numerous type of functional currency of the Group, the Group disclose its exchange gains and losses of monetary items aggregately. The Company's exchange gains, including realized and unrealized, were \$75,771 and \$81,708 for the years ended December 31, 2019 and 2018, respectively.

(iv) Interest rate analysis

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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If the interest rate had increased / decreased by 0.25%, the Group's net income would have decreased / increased by \$2,762 thousand and \$2,118 thousand for the years ended December 31, 2019 and 2018, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates.

(v) Fair value information

1) Categories and fair value of financial instruments

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

	December 31, 2019				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets – current	\$ 3,474	-	3,474	-	3,474
Financial assets measured at amortized cost					
Cash and cash equivalents	299,901	-	-	-	-
Accounts receivables	2,871,444	-	-	-	-
Other receivables	35,726	-	-	-	-
Refundable deposits	7,928	-	-	-	-
Other financial assets	6,202	-	-	-	-
Subtotal	3,221,201	-	-	-	-
Total	<u>\$ 3,224,675</u>	<u>-</u>	<u>3,474</u>	<u>-</u>	<u>3,474</u>
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities – current	\$ 3,290	-	3,290	-	3,290

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	December 31, 2019				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Secured bank loans	\$ 465,045	-	-	-	-
Unsecured bank loans	1,535,717	-	-	-	-
Lease liabilities	244,360	-	-	-	-
Convertible bonds payable (including derivative financial assets)	17,781	-	-	-	-
Accounts payable (including payables on equipment)	1,579,472	-	-	-	-
Other payables	295,115	-	-	-	-
Long-term payable	11,033	-	-	-	-
Subtotal	4,148,523	-	-	-	-
Total	<u>\$ 4,151,813</u>	<u>-</u>	<u>3,290</u>	<u>-</u>	<u>3,290</u>
	December 31, 2018				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets – current	\$ 4,401	-	4,401	-	4,401
Derivative financial assets – non-current	170	-	170	-	170
Subtotal	4,571	-	4,571	-	4,571
Financial assets measured at amortized cost					
Cash and cash equivalents	410,268	-	-	-	-
Accounts receivables	3,643,989	-	-	-	-
Other receivables	42,988	-	-	-	-
Refundable deposits	8,137	-	-	-	-
Subtotal	4,105,382	-	-	-	-
Total	<u>\$ 4,109,953</u>	<u>-</u>	<u>4,571</u>	<u>-</u>	<u>4,571</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	December 31, 2018				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities – current	\$ 191	-	191	-	191
Financial liabilities measured at amortized cost					
Secured bank loans	509,922	-	-	-	-
Unsecured bank loans	1,624,360	-	-	-	-
Finance lease liabilities	272,283	-	-	-	-
Convertible bonds payable (including derivative financial assets)	654,595	-	-	-	-
Accounts payable (including payables on equipment)	2,512,374	-	-	-	-
Other payables	329,695	-	-	-	-
Long-term payable	21,771	-	-	-	-
Subtotal	<u>5,925,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,925,191</u>	<u>-</u>	<u>191</u>	<u>-</u>	<u>191</u>

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

- i) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: cash and cash in bank, accounts receivable (including related parties), other receivables and payables (including related parties), refundable deposits, other financial assets, short-term loans, and payables for machinery and equipment.
- ii) The fair value of convertible bonds is estimated using a valuation model, but the fair value of convertible bonds is not necessarily equal to future cash outflow.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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iii) Fair value of long-term debt, lease liabilities, and long-term payable is estimated using the present value of future cash flows discounted by the interest rates the Group may obtain for similar loans and lease payable. However, long-term debt is recognized by its book value because most of it has floating rates. Lease liabilities are calculated based on the fixed rate agreed in the lease contract or incremental borrowing rate. Long-term payable is calculated based on the weighted-average cost of capital (WACC). There were no significant differences between book value and discounted present value. Thus, long-term payable is recognized by book value.

b) Derivative financial instruments

Forward exchange contracts were usually estimated by the current forward exchange rates of the transaction banks. The fair value of convertible bond options, redemption rights, and put options was estimated using an external expert's valuation reports.

(v) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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

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

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

(iii) Credit risk

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

1) Receivables and other receivables

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

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

2) Investments

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

3) Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. For information on guarantees as of December 31, 2019 and 2018, please refer to note 13.

(iv) Liquidity risk

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

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

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

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

(v) Market risk

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

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

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

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

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

(w) Capital management

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

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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As at December 31, 2019, the Group's capital management strategy was consistent with the prior year as at December 31, 2018. The Group has to maintain the debt-to-equity ratio at a certain level according to the criteria set by a lender. The Group's debt-to-equity ratio as at December 31, 2019 and 2018, was as follows:

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

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

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

	Unit: thousands of THB	
	December 31, 2019	December 31, 2018
Total liabilities	\$ 3,865,713	5,633,925
Total equity	\$ 7,788,810	6,924,152
Debt-to-equity ratio	49.63 %	81.37 %

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

(x) Non-cash investing and financing activities

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

Reconciliation of liabilities from financing activities are as follows:

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	January 1, 2018	Cash flows	Translation effect	Non-cash changes			December 31, 2018
				Discount of bond payable	Amortization of discount	Conversion	
Long-term loans	\$ 1,568,318	(749,853)	28,647	-	-	-	847,112
Short-term loans	1,195,048	48,058	44,064	-	-	-	1,287,170
Lease liabilities	430,162	(170,833)	12,954	-	-	-	272,283
Corporate bonds payable	596,110	593,319	-	(29,760)	18,596	(523,670)	654,595
Total liabilities from financing activities	<u>\$ 3,789,638</u>	<u>(279,309)</u>	<u>85,665</u>	<u>(29,760)</u>	<u>18,596</u>	<u>(523,670)</u>	<u>3,061,160</u>

(7) Related-party transactions:

- (a) Parent Company and ultimate controlling party

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

- (b) Names and relationship with related parties

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

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

- (c) Significant transactions with related parties

- (i) Payables

The amounts of payables to related parties were as follows:

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

- (ii) Prepayments

The amounts of prepayments to related parties were as follows:

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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In order to improve the diversification of the Group, the Board of Directors has approved to acquire 100% shares of Shye Feng Enterprise (Thailand) Co., Ltd. with total amount of \$278,657 thousand (Thai baht 275,000 thousand). As of December 31, 2019, the Group has already invested \$83,251 thousand (Thai baht 82,500 thousand), it's recognized under prepayment for investment as the process of capital injection is note yet finished.

(iii) Leases

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

(iv) Guarantee

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

(d) Management personnel compensation

Key management personnel compensation comprised:

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

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

(8) Pledged assets:

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

(9) Significant commitments and contingencies:

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

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

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

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

(c) Guarantees provided by banks were as follows:

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

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

(10) Losses due to major disasters: None.

(11) Subsequent events:

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

(12) Other:

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

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

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

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

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2019:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	The Company	Apex Circuit (Thailand)	(Note 1)	22,237,434 (Note 2)	5,100,278	5,017,245	1,724,567	-	67.69 %	22,237,434 (Note 3)	Y	N	N
2	Apex Circuit (Thailand)	The Company	(Note 1)	3,929,844 (Note 4)	1,130,760	1,083,816	421,484	-	14.62 %	3,929,844 (Note 5)	N	Y	N

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

Note 2: If it was approved by Board of Directors, the guarantee limit shall not be applied when the Company directly or indirectly owns more than 90% of the investee's equity. However the guarantee amount is still limited to 300% of the Company's latest financial statements.

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

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

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

- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (ix) Information regarding trading in derivative financial instruments: None. 6(b) and (k)

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

(x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd.	3	Sales	104,928	No Comparison	1.01%
1	Approach Excellence Trading Co., Ltd.	Apex Circuit (Thailand) Co., Ltd.	3	Accounts receivable	23,524	No Comparison	0.20%

Note 1: 1. 0 represents parent company.

2. 1 and thereafter represent subsidiary companies.

Note 2: 1. Parent company to subsidiary company.

2. Subsidiary company to parent company.

3. Subsidiary company to subsidiary company

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value (Notes 1 and 2)			
Apex International Co., Ltd.	Apex Circuit (Thailand) Co., Ltd.	Thailand	PCB (printed circuit board) manufacturing and sales	3,311,762	3,311,762	143,194	99.58 %	7,826,678	857,088	853,488	
Apex International Co., Ltd.	Approach Excellence Trading Ltd.	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	9,069	(1,787)	(1,630)	

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

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

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

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

(14) Segment information:

(a) General information

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

"Others" operating segments of the Group include one company engaging in sales of materials for PCBs and one holding company, both of which have not exceeded the quantitative thresholds to disclose for the years ended December 31, 2019 and 2018.

	December 31, 2019			
	Thailand	Others	Adjustments and eliminations	Consolidated
Revenue:				
Revenue from external customers	\$ 10,387,249	-	-	10,387,249
Revenue from transactions with other operating segments	-	104,928	(104,928)	-
Total revenue	\$ 10,387,249	104,928	(104,928)	10,387,249
Interest expense	\$ 59,940	10,359	-	70,299
Depreciation and amortization	\$ 744,988	2,913	-	747,901
Segment's profit or loss	\$ 872,774	(27,026)	157	845,905
Segment's assets	\$ 11,760,579	74,384	(26,071)	11,808,892
	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	\$ 11,175,098	126,555	(126,555)	11,175,098
Interest expense	\$ 72,706	30,264	-	102,970
Depreciation and amortization	\$ 669,958	342	-	670,300
Segment's profit or loss	\$ 871,469	(31,269)	362	840,562
Segment's assets	\$ 11,917,560	266,345	(42,588)	12,141,317

(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>2019</u>	<u>2018</u>
Thailand	\$ 1,898,165	2,387,025
Samoa	1,726,889	2,084,778
Singapore	1,739,182	1,742,674
Korea	952,942	380,252
Others	<u>4,070,071</u>	<u>4,580,369</u>
Total	<u>\$ 10,387,249</u>	<u>11,175,098</u>

Non-current assets:

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

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

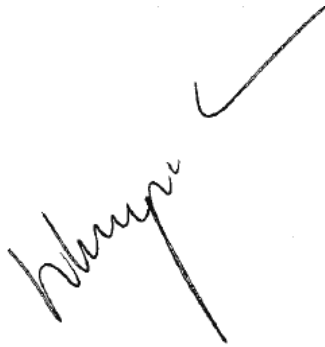
(d) Information on major customers

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

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