

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2019**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-14542

**ASIA PACIFIC WIRE & CABLE  
CORPORATION LIMITED**

(Exact name of Registrant as specified in its charter)

**Bermuda**

(Jurisdiction of incorporation or organization)

**15/FI. B, No. 77, Sec. 2**

**Dunhua South Road**

**Taipei, 106, Taiwan**

**Republic of China**

(Address of principal executive offices)

**Ivan Hsia**

**15/FI. B, No. 77, Sec. 2**

**Dunhua South Road**

**Taipei, 106, Taiwan**

**Republic of China**

**Tel: +886-2-27122558**

**Email: ivan.hsia@apwcc.com**

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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Common Shares, par value 0.01 per share	APWC	NASDAQ Global Market
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Securities registered or to be registered pursuant to Section 12(g) of the Act.

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**None**

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**13,819,669 Common Shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements give our current beliefs or expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Such statements may include words such as “anticipate,” “estimate,” “expect,” “intend,” “plan,” “believe,” “may,” “should,” “likely,” “seeks” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance.

Such statements are not promises or guarantees and are subject to a number of known and unknown risks and uncertainties that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include our ability to maintain and develop market share for our products; global, regional or national economic and financial conditions, the global drop in demand for and the pricing of commodities, including copper, our principal raw material, and their individual or collective impact on demand for our products and services; the introduction of competing products or technologies; the volatility of share prices on major securities exchanges throughout the world, our inability to successfully identify, consummate and integrate acquisitions; our potential exposure to liability claims; the uncertainty and volatility of the markets in which we operate; changes in laws or regulations applicable to the Company in the markets in which we conduct business; the availability and price of copper, our principal raw material; our ability to negotiate extensions of labor agreements on acceptable terms and to successfully deal with any labor disputes; our ability to service and meet all requirements under our debt, and to maintain adequate credit facilities and credit lines; in certain markets, our ability to compete effectively with state-owned enterprises (“SOEs”), which may receive governmental subsidies to enhance results or receive preferred vendor status in state controlled projects; our ability to make payments of interest and principal under our existing and future indebtedness; our ability to increase manufacturing capacity and productivity; the fact that we have operations outside the United States that may be materially and adversely affected by acts of terrorism, war and political and social unrest, or major hostilities; exposure to political and economic developments, crises, instability, terrorism, civil strife, expropriation and other risks of doing business in foreign markets; economic consequences arising from natural disasters and other similar catastrophes, such as floods, earthquakes, hurricanes and tsunamis; the fact that Asia Pacific Wire & Cable Corporation Limited (“APWC” or the “Company”) is a holding company that depends for income upon distributions from operating subsidiaries, most of which are not wholly-owned and for which there may be restrictions on the timing and amount of distributions; price competition and other competitive pressures; the impact of climate change on our business and operations and on our customers; tax inefficiencies associated with our cross-border operations, including without limitation, limitations on our ability to utilize net losses within our group of companies for income tax purposes; fluctuations in currency, exchange and interest rates, operating results and the impact of technological changes and other factors that are discussed in this report and in our other filings made with the Securities and Exchange Commission (the “SEC” or the “Commission”).

In particular, these statements include, among other things, statements relating to:

- our business strategy;
  - our prospects for future revenues and profits in the markets in which we operate;
  - the impact of political, legal or regulatory changes or developments in the markets in which we do business;
  - our dependence upon the level of business activity and investment by our customers for the generation of our sales revenue;
  - our reliance on our majority shareholder for research and development relating to our product lines
  - the fact that our common shares (the “Common Shares”) are traded on a national exchange in the United States and the relative liquidity or lack thereof, based upon the historical trading volume of our publicly-traded Common Shares;
  - our dependence on a limited number of suppliers for our raw materials and our vulnerability to fluctuations in the cost of our raw materials; and
  - the liquidity generally of our property and assets.
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We undertake no obligation to update any forward-looking statements or other information contained in this Annual Report, whether as a result of new information, future events or otherwise, except as required by law. You are advised, however, to consult any additional disclosures we make in our filings with the SEC. Also note that we provide a cautionary discussion of risks and uncertainties under the “Risk Factors” section of this Annual Report. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed there could also adversely affect us.

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## CERTAIN DEFINITIONS AND CONVENTIONS

Unless otherwise specified, all references in this Annual Report to “Thailand” are to the Kingdom of Thailand, all references to “Singapore” are to The Republic of Singapore, all references to “Taiwan” are to Taiwan, The Republic of China, all references to “China” or to the “PRC” are to The People’s Republic of China (for the purpose of this Annual Report, excluding Hong Kong and Macau), all references to “Australia” are to the Commonwealth of Australia and all references to the “United States” or “U.S.” are to the United States of America.

Most measurements in this Annual Report are given according to the metric system. Standard abbreviations of metric units (e.g., “mm” for millimeter) have been employed without definitions. All references in this Annual Report to “tons” are to metric tons, which are equivalent in weight to 2,204.6 pounds.

With respect to measurements relating to the manufacture of wire and cable products, references to “pkm” are to kilometers of twisted pairs of copper wires.

Dollar amounts in this Annual Report are expressed in thousands (\$000), except where otherwise indicated or with respect to earnings per share.

Unless otherwise specified, all references in this Annual Report to “\$,” “U.S. dollars,” “USD” or “US\$” are to United States dollars, the legal tender currency of the United States; all references to “Bt,” “Thai Baht” or “Baht” are to Baht, the legal tender currency of Thailand; all references to “Sing\$” or “S\$” are to Singapore dollars, the legal tender currency of Singapore; all references to “A\$” or “AU\$” are to Australian dollars, the legal tender currency of Australia; and all references to “RMB” are to Chinese Renminbi, the legal tender currency of China.

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## Part I

### ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

### ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

### ITEM 3: KEY INFORMATION

#### A. Selected Consolidated Financial Data

The following selected consolidated financial data is derived from the consolidated financial statements of the Company for the years ended December 31, 2019, 2018, 2017, 2016 and 2015, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The selected data set forth below should be read in conjunction with, and is qualified in its entirety by, the discussion in “Item 5: Operating and Financial Review and Prospects” and the consolidated financial statements and the notes thereto referenced in “Item 18: Financial Statements.”

	For the Year Ended December 31,				
	2019 (3)	2018 (2)	2017	2016	2015
	(in US\$ thousands)				
Income Statement Data:					
Revenue	\$ 338,160	\$ 425,940	\$ 425,215	\$ 384,565	\$ 389,632
Costs of sales	(313,373)	(389,692)	(385,527)	(352,957)	(366,143)
Gross profit	24,787	36,248	39,688	31,608	23,489
Other operating income	385	805	5,084	5,441	1,140
Selling, general & administrative expenses	(25,051)	(26,924)	(27,248)	(26,325)	(27,007)
Other operating expenses	(770)	(1,445)	(909)	(3,386)	(332)
Operating profit/(loss)	(649)	8,684	16,615	7,338	(2,710)
Finance costs	(1,012)	(1,378)	(1,221)	(1,147)	(1,547)
Finance income	506	482	876	1,045	697
Share of loss of associates	(3)	(3)	(3)	(710)	(801)
Impairment of investment in associates	—	—	—	(126)	—
Loss on liquidation of a subsidiary	—	—	(261)	—	—
Exchange gain/(loss)	1,550	1,741	2,784	(38)	(4,223)
Other income	717	1,817	214	267	119
Other expense	(3)	(11)	(336)	(94)	(180)
Profit/(loss) before taxes	1,106	11,332	18,668	6,535	(8,645)
Income taxes expense	(2,057)	(3,886)	(5,140)	(510)	(466)
Profit/(loss) for the year	<u>\$ (951)</u>	<u>\$ 7,446</u>	<u>\$ 13,528</u>	<u>\$ 6,025</u>	<u>\$ (9,111)</u>
Attributable to:					
Equity holders of the parent	\$ (1,632)	\$ 2,928	\$ 8,720	\$ 2,853	\$ (7,694)
Non-controlling interests	\$ 681	\$ 4,518	\$ 4,808	\$ 3,172	\$ (1,417)
Earnings per share (1)					
Basic and diluted (loss)/profit for the year attributable to equity holders of the parent	\$ (0.12)	\$ 0.21	\$ 0.63	\$ 0.21	\$ (0.56)

	As of December 31,				
	2019 (3)	2018 (2)	2017	2016	2015
	(in US\$ thousands)				
Balance Sheet Data:					
Cash and cash equivalents	\$ 53,673	\$ 60,778	\$ 46,093	\$ 48,231	\$ 51,303
Working capital	185,855	182,410	181,752	157,012	144,306
Total assets	298,911	305,798	334,843	293,596	305,256
Total debts	11,356	24,814	42,688	29,762	39,238
Net assets	228,435	221,816	222,826	197,175	193,275
Capital stock	138	138	138	138	138
Total APWC shareholders' equity	153,854	150,028	153,328	135,950	134,309

- (1) The calculation of the earnings per share is based on 13,819,669 basic and diluted weighted Common Shares issued and outstanding for each of the years ended December 31, 2019, 2018, 2017, 2016 and 2015.
- (2) Includes the impact of the application of IFRS 9 and IFRS 15, as explained in Note 4.1(b) of our consolidated financial statement presented herewith.
- (3) Includes the impact of the application of IFRS 16, as explained in Note 4.1(a) of our consolidated financial statements presented herewith.

### Exchange Rate Information

Unless otherwise noted, for the convenience of the reader, translations of amounts from Baht, Singapore dollars, Renminbi and Australian dollars to U.S. dollars have been made at the respective noon buying rates in New York City for cable transfers in those currencies as certified for customs purposes by the Federal Reserve Bank of New York (the “**Noon Buying Rate**”) on December 31, 2019. The respective Noon Buying Rates on December 31, 2019 were US\$ 1.00 = Bt 29.75; S\$ 1.345; RMB 6.962; and A\$ 1.423. The respective Noon Buying Rates on March 31, 2020, the latest practicable date before publication of this Annual Report, were US\$ 1.00 = Bt 32.70; S\$ 1.422; RMB 7.081 and A\$ 1.629. No representation is made that the foreign currency amounts could have been or could be converted into U.S. dollars on these dates at these rates or at any other rates.

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10, from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

#### Thailand

The Thai Baht is convertible into foreign currencies and is subject to a managed float against a basket of foreign currencies, the most significant of which is the U.S. dollar. The composition of the basket for determining the value of the Baht is not made public by the Bank of Thailand. The following tables set forth, for the periods indicated, certain information concerning the Noon Buying Rate of the Thai Baht. No representation is made that the Baht or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Baht, as the case may be, at any particular rate or at all.

Year Ended December 31,	At Period End	Average <sup>(1)</sup>	High	Low
	(Bt per \$1.00)			
2015	36.08	34.39	36.48	32.32
2016	35.81	35.22	36.33	34.54
2017	32.56	33.75	35.89	32.49
2018	32.31	32.27	33.44	31.11
2019	29.75	30.89	32.26	29.75

- (1) Average means the average of the Noon Buying Rates on the last day of each month during a year.



The high and low exchange rates for the six months preceding the date of this Annual Report were:

Month	High	Low
October 2019	30.61	30.16
November 2019	30.43	30.17
December 2019	30.36	29.75
January 2020	31.19	30.15
February 2020	31.83	30.97
March 2020	32.86	31.34

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10, from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

#### *Singapore*

The Singapore dollar is convertible into foreign currencies and floats against a trade-weighted basket of foreign currencies, the composition of which is not made public by Singapore's central bank, the Monetary Authority of Singapore, but of which the U.S. dollar is a component. The following tables set forth, for the periods indicated, certain information concerning the Noon Buying Rate of the Singapore dollar. No representation is made that the Singapore dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Singapore dollars, as the case may be, at any particular rate or at all.

Year Ended December 31,	At Period End	Average <sup>(1)</sup> (S\$ per \$1.00)	High	Low
2015	1.417	1.378	1.434	1.317
2016	1.447	1.382	1.452	1.337
2017	1.336	1.373	1.450	1.336
2018	1.362	1.350	1.384	1.304
2019	1.345	1.363	1.391	1.345

(1) Average means the average of the Noon Buying Rates on the last day of each month during a year.

The high and low exchange rates for the six months preceding the date of this Annual Report were:

Month	High	Low
October 2019	1.385	1.361
November 2019	1.367	1.357
December 2019	1.366	1.345
January 2020	1.365	1.346
February 2020	1.401	1.369
March 2020	1.461	1.379

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10, from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

### *China*

The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign currencies, including the conversion rate limitations on capital transfers and through restrictions on foreign trade and other regulatory impediments to the free transferability of capital. The following tables set forth, for the periods indicated, certain information concerning the Noon Buying Rate of the Renminbi. No representation is made that the Renminbi or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all.

<b>Year Ended December 31,</b>	<b>At Period End</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>
	<b>(RMB per \$1.00)</b>			
2015	6.478	6.287	6.490	6.187
2016	6.943	6.655	6.958	6.448
2017	6.506	6.735	6.958	6.477
2018	6.876	6.629	6.974	6.265
2019	6.962	6.901	7.179	6.682

(1) Average means the average of the Noon Buying Rates on the last day of each month during a year.

The high and low exchange rates for the six months preceding the date of this Annual Report were:

<b>Month</b>	<b>High</b>	<b>Low</b>
October 2019	7.147	7.038
November 2019	7.039	6.977
December 2019	7.061	6.962
January 2020	6.975	6.859
February 2020	7.029	6.965
March 2020	7.110	6.924

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10, from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

### *Australia*

The following tables set forth, for the periods indicated, certain information concerning the Noon Buying Rate of the Australian dollar. No representation is made that the Australian dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Australian dollars, as the case may be, at any particular rate or at all.

<b>Year Ended December 31,</b>	<b>At Period End</b>	<b>Average<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>
	<b>(A\$ per \$1.00)</b>			
2015	1.372	1.342	1.446	1.218
2016	1.383	1.346	1.459	1.279
2017	1.280	1.301	1.383	1.239
2018	1.419	1.344	1.425	1.234
2019	1.423	1.438	1.493	1.373

(1) Average means the average of the Noon Buying Rates on the last day of each month during a year.

The high and low exchange rates for the six months preceding the date of this Annual Report were:

Month	High	Low
October 2019	1.493	1.452
November 2019	1.479	1.446
December 2019	1.468	1.423
January 2020	1.493	1.432
February 2020	1.540	1.482
March 2020	1.738	1.503

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10, from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

## **B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable

## **C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

## **D. RISK FACTORS**

You should carefully consider the following risks in connection with any investment in the Company, including any investment in our Common Shares. If any one of these risks or uncertainties occurs, our business, financial condition and results of operations could be materially and adversely affected. The risks and uncertainties described in this Annual Report on Form 20-F are not the only ones facing us. Additional risks and uncertainties that currently are not known to us or that we currently believe are not material also may adversely affect our business, financial condition and results of operations.

### **Risks Related to the Common Shares and the Company**

*Our Common Shares may be delisted from Nasdaq, which could affect their market price and liquidity. If our Common Shares are delisted, investors may have difficulty disposing of their shares.*

On November 21, 2019, the Company received written notification (the "Market Value Notification Letter") from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that it was not in compliance with the \$5 million minimum market value of publicly held shares requirement set forth in the Nasdaq rules for listing on the Nasdaq Global Market tier. In accordance with the Nasdaq Listing Rules, the Company was provided 180 calendar days, or until May 19, 2020 (the "Compliance Period"), to regain compliance. On April 16, 2020, Nasdaq announced that, as of April 16, 2020, Nasdaq was tolling the compliance periods for bid price and market value of publicly held shares ("MVPHS") requirements (collectively, the "Price-based Requirements") for all listed companies through June 30, 2020. As a result, companies presently in compliance periods for any Price-based Requirements will remain at that same stage of the process through June 30, 2020, and, commencing on July 1, 2020, companies will receive the balance of any pending compliance period in effect at the start of the tolling period to regain compliance.

Accordingly, since the Company had 33 calendar days remaining in its MVPHS compliance period as of April 16, 2020, it will, upon reinstatement of the Price-based Requirements, still have 33 calendar days from July 1, 2020, or until August 3, 2020, to regain compliance. Nasdaq has informed us that the Company can regain compliance, either during the suspension or during the compliance period resuming after the suspension, by evidencing compliance with the Price-based Requirements for a minimum of 10 consecutive trading days. For the Company to regain compliance, the market value of our publicly held shares has to equal or exceed \$5 million for a minimum of 10 consecutive business days. On April 22, 2020, the minimum market value of our publicly held Common Shares was \$3,592,234. If the Company does not regain compliance by August 3, 2020, Nasdaq has informed us that Nasdaq will delist the Company's Common Shares from Nasdaq unless the Company requests a hearing before the

Nasdaq Hearings Panel or unless the Company transfers its listing of the Common Shares to the Capital Market tier, which transfer would require that the Company then meet the criteria for transfer to the Capital Market tier. Amongst the requirements for continued listing on the Capital Market tier is that the minimum market value of publicly held Common Shares of the Company equal or exceed \$1 million and that the minimum closing bid price of the Common Shares equal or exceed \$1 per share. On April 22, 2020, the closing bid price for our Common Shares was \$1.01.

In addition to the specified criteria for continued listing, Nasdaq also has broad discretionary public interest authority that it can exercise to apply additional or more stringent criteria for the continued listing of the Common Shares, or suspend or delist securities even though the securities met all enumerated criteria for continued listing on Nasdaq. We cannot assure you that Nasdaq will not exercise such discretionary authority.

In addition, in accordance with the provisions of the Exchange Control Act 1972, as amended, and related regulations of Bermuda, the permission of the Bermuda Monetary Authority (the "BMA") is required for all issuances and transfers of shares (which includes our Common Shares) of Bermuda companies to or from a non-resident of Bermuda for exchange control purposes, other than in cases where the BMA has granted a general permission. The BMA, in its notice to the public dated June 1, 2005, has granted a general permission for the issue and subsequent transfer of any securities of a Bermuda company from and/or to a non-resident of Bermuda for exchange control purposes for so long as any "Equity Securities" of the company (which include our Common Shares) are listed on an "Appointed Stock Exchange" (which would include Nasdaq). In granting the general permission the BMA accepts no responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed herein. Consequently, if our Common Shares are delisted from Nasdaq, it will be necessary to obtain the prior permission of the BMA to transfer such Common Shares to any transferee, subject to any applicable general permissions issued by the BMA.

There can be no assurance that our Common Shares will remain listed on Nasdaq on any tier. Any delisting of our Common Shares could materially adversely affect a shareholder's ability to dispose, or obtain quotations as to the market value, of such shares. If our Common Shares are delisted, we expect our Common Shares would be quoted on an over-the-counter market. If this were to occur, our shareholders could face significant material adverse consequences, including the need to receive permission from the BMA to transfer our Common Shares, limited availability of market quotations for our Common Shares and reduced liquidity for the trading of our Common Shares. In addition, we could experience a decreased ability to issue additional securities and obtain additional financing in the future.

*As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than a U.S. company.*

We are a "foreign private issuer", as defined in the SEC's rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to public companies organized within the United States. For example, we are exempt from certain rules under the Securities Exchange Act of 1934 (the "Exchange Act") that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act, including the U.S. proxy rules under Section 14 of the Exchange Act. In addition, our senior management and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies, and are not required to file quarterly reports on Form 10-Q or current reports on Form 8-K under the Exchange Act. Accordingly, there is less publicly available information concerning the Company than there would be if we were a U.S. public company.

*Future sales of our Securities may cause the prevailing market price of our Common Shares to decrease*

There may be future sales or other dilution of our equity, which could materially adversely affect the market price of our Common Shares. The Company may, from time to time, issue equity securities, including Common Shares or securities that are convertible into or exchangeable for, or that represent the right to receive, Common Shares. The market price of our Common Shares could decline as a result of issuances of any such equity securities

or any such securities that are convertible into or exchangeable for, or that represent the right to receive, Common Shares, or as a result of the perception that such issuances could occur.

*The Market for Our Common Shares May Not Be Liquid*

Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors, compared to less active and less liquid markets. Liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. Approximately 75.417% of our issued and outstanding Common Shares are directly or beneficially owned by Pacific Electric Wire & Cable Co., Ltd. (“PEWC”), a Taiwanese company, which Common Shares are subject to restrictions on trading. In addition, although our Common Shares currently remain traded on the Nasdaq Global Market tier, the trading and demand for our Common Shares has been limited. As a consequence, shareholders may find that the value of their Common Shares and/or their ability to sell their Common Shares quickly or in substantial amounts may be materially adversely affected by the limited public trading market. Thinly-traded securities equity can be more volatile than equity securities for which there is significant trading volume. The high and low daily closing prices for our Common Shares during the past 24 months (April 11, 2018 – April 09, 2020) were \$2.77 and \$0.89, respectively. In the future, our Common Shares may experience significant price fluctuations which could materially adversely affect that the value of your ownership interest in the Company.

*We May Not Be Able to Resume Paying a Dividend and Any Dividends Paid in the Future Could be Reduced or Eliminated*

We did not pay a dividend in 2019. We may not be able, or may choose not to reinstate our dividend program and pay future dividends, and if reinstated any future dividend could again be eliminated or reduced. The declaration, amount and payment of future dividends are at the discretion of our board of directors and will be dependent on our future operating results and the cash requirements of our business. There are a number of factors that can affect our ability to pay dividends and there is no guarantee that we will pay dividends in any given year or pay any specific amount of dividends. In addition, we will not pay dividends in the event we are not allowed to do so under Bermuda law. The reduction, suspension or elimination of dividends may negatively affect the market price of our Common Shares. Furthermore, since we are a holding company, nearly all of the assets shown on our consolidated balance sheet are held by our subsidiaries. Accordingly, our earnings and cash flow and our ability to pay dividends are dependent upon distributions from our subsidiaries.

*Control of the Company Rests with Majority Shareholder; Controlled Company and Foreign Private Issuer Exemptions; Risks Related to PEWC*

Our Common Shares currently remain traded on Nasdaq. However, as the Company has a more than fifty percent (50%) shareholder, the Company relies upon a “controlled company exemption” to the requirement that a company have a board of directors comprised of a majority of independent directors in order to be listed on Nasdaq. At present, a majority of the board of directors of the Company is affiliated with PEWC. The Company also relies on Nasdaq’s allowance for foreign private issuers to follow home country practices in lieu of the requirement that listed companies have regularly scheduled meetings at which only independent directors are present (“executive sessions”). The independent directors of the Company meet periodically in executive session in their capacity as members of the Audit Committee of the Board of Directors of the Company (“Board of Directors”) without other directors present, but on occasion meet with the independent auditors of the Company present in such executive session, and on occasion meet with members of management present in order to understand more fully management’s analysis of the Company’s financial performance and compliance with relevant corporate governance requirements.

As our majority shareholder, PEWC has sufficient votes to control the outcome of any matter presented for a shareholder vote, including the election of each member of the Board of Directors of the Company. PEWC may vote its shares in the Company in the manner that it sees fit. In addition, subject to applicable securities laws, PEWC may sell, convey or encumber all or a portion of its ownership interest in the Company without regard to the best interests of the other shareholders of the Company except to the extent that it is prohibited from engaging in conduct

oppressive to non-controlling interests under applicable law. The interests of PEWC may conflict with our interests or the interests of our other shareholders. As a result, PEWC may take actions with respect to us or our business that may not be in our or our other shareholders' best interest.

Due to executive malfeasance at PEWC that was uncovered in 2003, PEWC was delisted from the Taipei Stock Exchange and remains subject to ongoing regulatory review by Taiwan securities regulators as a public company in Taiwan. Financial or corporate governance issues at PEWC may affect PEWC's attention to and actions with respect to APWC, including with respect to its performance of its obligations under, or increase uncertainty regarding its ability to perform its obligations under, the Composite Services Agreement between PEWC and the Company. (See "PEWC may not perform its obligations under the Composite Services Agreement" below and see Item 10.3 – "Material Contracts" – for a description of the Composite Services Agreement.).

#### *Potential Conflict of Certain Officers and Directors*

We have three independent directors. The other six members of the Board of Directors are also directors or officers of, or otherwise affiliated with, PEWC, our majority shareholder. Certain of our officers are also affiliated with PEWC. In each case, they may be subject to potential conflicts of interest. In addition, certain of our officers and directors who are also officers and/or directors of PEWC may be subject to conflicts of interest in connection with, for example, pursuing corporate opportunities in which we and PEWC or one of its affiliates have competing interests, and in the performance by us and PEWC of our respective obligations under existing agreements, including the Composite Services Agreement. In addition, some of these persons devote time to the business and affairs of PEWC and its affiliates, which could reduce the amount of time available for overseeing or managing our business and affairs.

*Any failure to achieve and maintain effective internal controls could have a material adverse effect on our reputation, business, financial conditions, and results of operations and the market price of our Common Shares.*

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to prevent fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. As a result, even effective internal controls are able to provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Any failure in our internal control over financial reporting could result in a decline of investor confidence in the reliability of our financial statements, which could materially adversely affect the market price of our Common Shares.

*Our auditor's China affiliate, like other independent registered public accounting firm operating in China, are not permitted to be subject to inspection by Public Company Accounting Oversight Board, and consequently investors are deprived of the benefits of such inspection.*

Our auditor, the independent registered public accounting firm that issued the audit report included elsewhere in this annual report, as auditor of companies that are traded publicly in the United States and firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, are subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor's China affiliate is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities. In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission ("CSRC") and the PRC Ministry of Finance, which established a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC or the PRC Ministry of Finance in the

United States and the PRC, respectively. PCAOB continues to be in discussions with the CSRC, and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firm that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. However, it remains unclear what further actions, if any, the SEC and PCAOB will take to address the problem.

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our Common Shares are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditor in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's China affiliate's audit procedures or quality control procedures as compared to auditor outside of China that are subject to PCAOB inspections, which could cause investors and potential investors in our Common Shares to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

#### *Holding Company Structure; Potential Restrictions on the Payment of Dividends*

We are a holding company with no direct business operations other than our ownership of the capital stock of our subsidiaries and equity investees. Our principal assets are the equity interests we directly or indirectly hold in our operating subsidiaries. As a holding company, our ability to pay dividends and meet our other obligations depends upon the amount of distributions, if any, received from our operating subsidiaries and other holdings and investments. Our operating subsidiaries and other holdings and investments, from time to time, may be subject to restrictions on their ability to make distributions to us, including, but not limited to, as a result of restrictive covenants contained in loan agreements, restrictions on the conversion of local currency earnings into U.S. dollars or other currency, and other regulatory restrictions. For example, PRC legal restrictions permit payments of dividends by our business entities in the PRC only out of their retained earnings, if any, determined in accordance with relevant PRC accounting standards and regulations. Under PRC law, such entities are also required to set aside a portion of their net income each year to fund certain reserve funds. These reserves are not distributable as cash dividends. The foregoing restrictions may also affect our ability to fund operations of one subsidiary with dividends and other payments received from another subsidiary. Distributions may also be limited from time to time by reason of restrictions protective of the rights of minority shareholders of our subsidiaries and by reason of the current cash requirements of our operating subsidiaries.

#### *Corporate Matters; Limited Recourse; Limited Enforceability*

We are incorporated in and organized pursuant to the laws of Bermuda. In addition, all of our directors and officers reside outside the United States and our material assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to realize judgments against them in courts of the United States predicated upon civil liabilities under the United States federal securities laws. Even if investors are successful in realizing judgments against such persons in courts of the United States, the laws of Taiwan may render such investors unable to enforce the judgment against the Company's assets or the assets of its officers and directors. Also, investors may have difficulty in bringing an original action based upon the United States federal securities law against such persons in the Taiwan courts. Additionally, there is doubt as to the enforcement in Bermuda, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated upon U.S. federal securities laws. As a result, shareholders may encounter more difficulties in enforcing their rights and protecting their interests in the face of actions taken by management, the Board of Directors or controlling shareholders than they would if the Company were organized under the laws of the United States or one of the states therein, or if the Company had material assets located within the United States, or some of the directors and officers resided within the United States.

*If we lose control of Charoong Thai, Charoong Thai's financial results would not be consolidated with ours.*

As of December 31, 2019, the Company effectively owned 50.93% of the issued and outstanding shares of Charoong Thai Wire and Cable Public Company Limited ("Charoong Thai" or "CTW"). While the Company holds preemptive rights that would permit it to maintain majority ownership of CTW, there may be circumstances under which the Company cannot maintain majority ownership of Charoong Thai. In the event Charoong Thai were to make a further offering of voting securities, or securities convertible into or exchangeable for voting securities, and the Company decided not to, or was not in a position to, fund or finance its participation in the offering, the ownership interest of the Company in Charoong Thai could fall below a level necessary for consolidated treatment, and the Company may lose the controlling interest in Charoong Thai. If that were the case, the accounts of the Charoong Thai group, which includes all of the Company's Thailand operations, would not be consolidated under IFRS, but instead would be accounted for under the equity method. In such an event, the Company's accounts would show a significant decrease in revenue and most categories of assets and liabilities, which could materially adversely affect the Company and the value of the Common Shares.

### **Risks Relating to Our Business**

#### *COVID-19 Could Have a Material Adverse Effect on Our Business, Financial Condition and Results of Operations*

The recent outbreak in China of the Coronavirus Disease 2019 ("COVID-19"), which has been declared by the World Health Organization to be a "public health emergency of international concern," has spread across the globe and is impacting worldwide economic activity and financial markets. Our manufacturing and production have been affected by the outbreak of COVID-19. COVID-19 has disrupted our operations and the operations of our suppliers, customers, and other business partners and may continue to do so for an indefinite period of time, including as a result of travel restrictions and/or business shutdowns. A slowdown in economic activity as a result of COVID-19 can be expected to result in a reduction in demand for our products. The outbreak of COVID-19 has also resulted in a decline in the price of copper, which has had the effect of reducing the market value of our inventory of copper.

Due to the measures instituted in China in response to COVID-19, our China production facilities have been operating below normal production levels and our production levels have not yet fully recovered to normal levels. We do not know when our production levels will recover to normal levels.

In addition, the Singapore Government has ordered most businesses to close from April 7, 2020 until June 1, 2020. We have been permitted to continue to operate during this period with reduced on site staff. Since April 7, 2020, approximately half of the employees of our Singapore operation have been working from home while the remaining employees have continued to work on site. We do not know if the Singapore Government will extend (or otherwise alter the terms of) its order requiring most business to close or whether our employees who continue to work on site will continue to be permitted to do so.

In order to protect the employees from COVID-19, the Company had enforced everyone to check the body temperature twice a day, and the employees of Singapore subsidiary took turns to work from home.

This is a rapidly evolving situation and the impact of COVID-19 on the global economy and our business is uncertain at this time. While it is not possible at this time to estimate the impact that COVID-19 could have on worldwide economic activity and our business, the continued spread of COVID-19 and the measures taken by governments, businesses and other organizations in response to COVID-19 are expected to reduce our revenues and could have a material adverse impact our business, financial condition and results of operations.



### *PEWC May not Perform Its Obligations under the Composite Services Agreement*

We engage in transactions in the ordinary course of business with PEWC, including the purchase of certain raw materials and the distribution of PEWC products in various countries in the Asia Pacific region. We and PEWC have entered into a composite services agreement dated November 7, 1996, as amended and supplemented (the “Composite Services Agreement”), which contains provisions that define our relationship and the conduct of our respective businesses. The Composite Services Agreement is renewable at our option and is currently in force. Under the Composite Services Agreement, PEWC supplies copper and provides research and development for our products. However, we are unable to ensure that PEWC will not in the future seek to limit, or be unable to perform in whole or in part, the business it conducts with the Company pursuant to the terms of the Composite Services Agreement. Any such limitation or inability to perform the Composite Services Agreement on PEWC’s part could have a material adverse effect on our business, financial condition and results of operations. (See Item 10.3 - Material Contracts – for a description of the Composite Services Agreement.)

### *Risks Relating to Copper*

Copper is the principal raw material we use, accounting for a majority of the cost of sales. Our prevailing practice is to purchase copper at prices based on the average prevailing international spot market prices on the London Metal Exchange (the “LME”) for copper for the one month prior to purchase. The price of copper is affected by numerous factors beyond our control, including global economic and political conditions, supply and demand, inventory levels maintained by suppliers, actions of participants in the commodities markets and currency exchange rates. As with other costs of production, changes in the price of copper may affect the Company’s cost of sales. Whether this has a material impact on our operating margins and financial results depends primarily on the Company’s ability to adjust selling prices to its customers, such that increases and decreases in the price of copper are fully reflected in those selling prices and customers continue to place orders. Most of our sales of manufactured products reflect the cost of copper used to manufacture those products at the time the products are ordered. In the ordinary course of business we maintain inventories of raw materials and finished products reasonably necessary for the conduct of our business. These inventories typically reflect the cost of copper prevailing in the market at the time of purchase. A long-term decrease in the price of copper would require the Company to revalue its inventory at periodic intervals to the then net realizable value, which could be below cost. Copper prices have been subject to considerable volatility, and it is not always possible to manage our copper purchases and inventory so as to neutralize the impact of copper price volatility. In addition, an excessive increase in the price of copper could result in fewer orders from customers and negatively impact the Company. Accordingly, significant volatility in copper prices could have a material adverse effect on our business, financial condition and results of operations.

*Restrictive covenants and default provisions in our existing debt agreements may materially restrict our operations as well as adversely affect our liquidity, business, financial condition and results of operations.*

As of December 31, 2019, the Company had a total of \$287.0 million in credit available to itself, or one or more of its operating subsidiaries. Out of total available credit, \$207.9 million was unused and available for borrowing. The weighted average borrowing rate, for all the outstanding loans combined, was 3.72% for 2019. If our business units do not generate sufficient cash flows from operations, we may be unable to make required payments on our debt. Any such failure to make any such payment could have a material adverse effect on our liquidity, business, financial condition and results of operations.

In addition our debt agreements contain restrictive covenants and default provisions. Covenants in the agreements governing our existing debt, and debt we may incur in the future, may materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. In addition, any global economic deterioration may cause us to incur significant net losses or force us to assume considerable liabilities. We cannot assure you that we will be able to remain in compliance with our financial covenants, which, as a result, may lead to a default. This may thereby restrict our ability to access unutilized credit facilities or the global capital markets to meet our liquidity needs. Furthermore, a default under any agreement by us or our subsidiaries may trigger cross-defaults under our other agreements. In the event of default, we may not be able to cure the default or obtain a waiver on a timely basis. An event of default under any agreement timely governing our existing or future debt, if not cured or waived, could have a material adverse effect on our liquidity, business, financial condition and results of operations.

### *We Face Uncertainties Relating to the Phasing Out of LIBOR*

In July 2017, the U.K. Financial Conduct Authority, which regulates the London interbank offered rate (LIBOR), announced that it intends to phase out LIBOR by the end of 2021. Discontinuation of LIBOR and uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the amounts of interest we pay under our debt arrangements and materially adversely affect our business, financial condition and results of operations.

### *Risks Related to Our Customer Base and Our Geographic Markets*

Our sales of products are made primarily to customers that use our products as components in their own products or in construction or infrastructure projects in which they participate. The volume of our sales is significantly correlated with overall economic conditions in the markets in which we operate, including how much our customers invest in their own product manufacturing or project development. Increases or decreases in economic activity and investment in the markets where we operate generally will result in higher or lower sales volume and higher or lower net income for the Company. Any such decrease could have a material adverse effect on our business, financial condition and results of operations.

### *Business Disruptions Could Affect Our Operating Results*

Operations and other business conducted at our plants and other facilities are at risk to uncontrollable natural and climatic events (often referred to as force majeure events). We cannot predict with any certainty whether we will be affected by a force majeure event in the future. Flooding, earthquakes, weather event, fire or other catastrophic events that results in the destruction or disruption of any of our facilities, or our suppliers' or customers' facilities, could severely affect our ability to conduct normal business operations and, as a result, our business, financial condition and results of operations could be materially adversely affected.

### *Our Insurance Coverage Does Not Cover All of Our Business Risks*

Our global operations are subject to many risks including errors and omissions, infrastructure disruptions, including large-scale outages or interruptions of service from utilities or telecommunications providers, supply chain interruptions, third-party liabilities and fires or natural disasters. The Company maintains insurance policies covering certain buildings, machinery and equipment against specified amounts of damage or loss caused by fire, flooding, other natural disasters and burglary and theft. The Company does not carry insurance for consequential loss arising from business interruptions or political disturbances and does not carry product liability insurance. In addition, the Company does not have business liability or disruption insurance for its operations in China and the Company does not have coverage for flood damage or business interruption for its operations in Thailand. Consequently, the amount of our insurance coverage may not be adequate to cover all potential claims or liabilities, and we may be forced to bear substantial costs resulting from the lack of adequate insurance. No assurance can be given that we will not incur losses beyond the limits or outside the scope of coverage of our insurance policies. Accordingly, we may be subject to an uninsured or under-insured loss in such situations. Any failure to maintain adequate insurance coverage on terms favorable to us, or at all, could have a material adverse effect on our business, financial condition and results of operations.

*If we were to lose control of Charoong Thai, our business, financial condition and results of operations could be materially adversely affected*

As of December 31, 2019, the Company effectively owned 50.93% of the issued and outstanding shares of Charoong Thai Wire and Cable Public Company Limited ("Charoong Thai" or "CTW"). All of the Company's operations in Thailand are conducted through Charoong Thai and its subsidiaries and accounted for approximately 50.98% of our total net sales in 2019. While the Company holds preemptive rights that would permit it to maintain majority ownership of CTW, there may be circumstances under which the Company cannot maintain majority ownership of Charoong Thai. In the event Charoong Thai were to make a further offering of voting securities, or securities convertible into or exchangeable for voting securities, and the Company decided not to, or was not in a position to, fund or finance its participation in the offering, the ownership interest of the Company in Charoong Thai

could fall below a level necessary for the Company to control Charoong Thai. If the Company were to lose control of Charoon Thai, such loss of control could materially adversely affect the Company's business, financial condition and results of operations.

#### *Risks Relating to Thailand*

A substantial portion of our Thai operations, whose sales accounted for approximately 50.98% of our net sales in 2019, consists of the manufacture of telecommunications and power cables and sales of those products for use in large-scale telecommunications projects and various construction projects in Thailand. As a result, the performance of the Company's Thai operations are affected by the political situation in Thailand and the general state of the Thai economy. The volume of sales of our products tends to correlate with the general level of economic activity in Thailand. In recent years, the level of government involvement in infrastructure development has tended to track increases or contractions in Thailand's gross domestic product and the Thai economy has been highly cyclical and volatile, depending for economic growth in substantial part on a number of government initiatives for economic expansion. In addition, the Baht has been volatile and subject to significant fluctuations in relation to the U.S. dollar, which fluctuations can materially adversely affect us. Overall, the construction industry and infrastructure projects have slowed considerably, thereby affecting local sales, placing competitive pressure on prices and prompting the Company to rationalize Thai operations and actively seek overseas export markets. Political tensions remain high in Thailand and political instability in Thailand tends to diminish governmental focus on infrastructure development projects, which can materially adversely impact the volume of sales to (and payment by) our customers who are engaged in large infrastructure projects and, consequently, also materially adversely affect our business, financial condition and results of operations.

#### *Economic Reform Measures in the PRC May Materially Adversely Affect the Company's Operations or Financial Condition*

The PRC government has gradually moved away from a planned economic model and implemented economic reform measures emphasizing decentralization, utilization of market forces in the development of the economy and a high level of management autonomy. The government has decreased its focus on export-oriented activities and placed greater emphasis on building up rural areas in China, including integrating a number of primitive, largely inaccessible agricultural areas into the national economy. However, many of the reforms are unprecedented and may be subject to revision, modification or termination based on the outcomes of the reform efforts and other considerations, including their impact on societal stability. There is not sufficient administrative or judicial precedent to allow the Company to determine with any degree of certainty how the reforms will impact our business in China.

#### *Any Decrease in Real Estate Development and Construction Activities in China May Materially Adversely Affect the Company's Business, Operations or Financial Condition*

Our wire and cable products manufactured and sold in China are used in the commercial and residential real estate industry and in infrastructure development. Therefore, the demand for our wire and cable products is affected by the pace of modernization and the growth of the real estate industry in China, which could in turn be affected by a number of factors, such as the level of governmental investment in infrastructure development, the strength of the commercial and residential real estate markets, the level of disposable income, consumer confidence, unemployment rate, interest rates, credit availability and volatility in the stock markets.

To dampen an over-heated real estate market, the PRC government implemented a series of measures in the real estate market. The real estate market in China may also be negatively affected by the reform of the real estate tax system in respect of levying real estate tax on individually owned real estate which is not used for a business purpose, which has already been implemented by certain local government authorities and may be expanded nationwide sometime in the future.

Any decrease in commercial and residential real estate development and construction activities would adversely affect demand for our manufactured products and could materially adversely affect the Company's business, results of operations and financial condition.

### *The PRC Legal System May Limit the Company's Remedies*

The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC central government has promulgated a large volume of laws and regulations governing economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. In particular, since reforms were first introduced in 1979, the PRC's legislation and regulations have enhanced the protections provided to various forms of foreign investment in China. However, China has not developed a fully integrated legal system. Recently enacted laws and regulations may not sufficiently cover all aspects of economic activities since they are relatively new, there is a limited volume of published decisions which are nonbinding and the interpretation and enforcement of these laws and regulations is not always uniform, which may limit the remedies available to us in the event of any claims or disputes with third parties. In addition, any litigation in China may be protracted and could result in substantial costs and diversion of resources and management attention. As the PRC legal system continues to evolve, we cannot predict future developments in the PRC legal system, including promulgation of new laws, changes to existing laws or the interpretation and enforcement thereof that may be detrimental to the Company and have a material adverse effect on its business, financial condition and results of operations.

### *Uncertainties Exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law and how it may affect the Company's Corporate Governance*

On January 1, 2020, the PRC Foreign Investment Law (the “**Foreign Investment Law**”) and the Regulations for Implementation of the Foreign Investment Law (the “**Implementation Regulations**”), came into effect and replaced the trio of prior laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law, and the Wholly Foreign-invested Enterprise Law, together with their implementation rules. The Foreign Investment Law and the Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law and the Implementation Regulations establish the basic framework for the access, promotion, protection and administration of foreign investments in view of investment protection and fair competition.

Since the Foreign Investment Law and the Implementation Regulations are relatively new, uncertainties still exist in relation to its interpretation and implementation. The Foreign Investment Law and the Implementation Regulations may affect our relevant corporate governance practices and increase our compliance costs. For instance, the Foreign Investment Law and the Implementation Regulations requires that foreign-invested enterprises established before the Foreign Investment Law became effective have 5 years to complete the necessary adjustments to their organization form, governance structure and other required matters to comply with the PRC Company Law, the Partnership Enterprise Law and other laws. The PRC Company Law significantly differs from the Sino-foreign Equity Joint Venture Enterprise Law and the Sino-foreign Cooperative Joint Venture Enterprise Law. These differences include, but are not limited to, an enterprise's highest authority, minimum number of directors, quorum, term of directors, voting mechanisms, profit distributions and equity transfer restrictions. According to the Implementation Regulations, the provisions regarding equity interest transfer and distribution of profits or remaining assets may remain the same as previously provided in the contracts among the joint venture parties of a foreign-invested enterprise. Uncertainties still exist with respect to the specific adjustments foreign-invested enterprises must make. The local branch of the State Administration for Market Regulation of the PRC (the “**SAMR**”) may, at its discretion, require our PRC subsidiaries to make necessary adjustments to their articles of association and other filing documents to comply with the PRC Company Law and the Partnership Enterprise Law.

In addition, the Foreign Investment Law and the Implementation Regulations impose information reporting requirements on foreign investors and foreign-invested enterprises. Any foreign investors or foreign-invested enterprises found to be non-compliant with these reporting obligations may be subject to fines or administrative liabilities.

The Foreign Investment Law does not address intercompany loans or the registration of profits of foreign-invested enterprises. It is not known whether these matters will be addressed by additional laws or regulations promulgated pursuant to the Foreign Investment Law. The Foreign Investment Law and the Implementation Regulations could be interpreted and implemented in a manner that could have a material adverse effect on the Company's business, financial condition and results of operations.

*PRC Regulations of Loans to and Direct Investment in PRC Entities by Offshore Holding Companies may delay or prevent us from making Loans or additional Capital Contributions to our PRC Subsidiaries, which could materially adversely affect our ability to fund and expand our business*

We conduct substantial business operations in China. We may make loans or capital contributions to our PRC subsidiaries. Loans or capital contributions by APWC or any of our offshore subsidiaries to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC law, may be subject to PRC regulations and/or foreign exchange loan registrations. Such loans to any of our PRC subsidiaries to finance their activities generally cannot exceed statutory limits and must be filed with the State Administration of Foreign Exchange (the "SAFE") through the online filing system of SAFE. The statutory limit for the total amount of foreign debts of a foreign-invested enterprise is the greater of (i) the difference between the amount of total investment and the amount of registered capital of such foreign-invested enterprise and (ii) 2.5 times the amount of such foreign-invested enterprise's net assets. We may also decide to finance our PRC subsidiaries by means of capital contributions, in which case the PRC subsidiary is required to register the details of the capital contribution with the SAMR and submit a report on the capital contribution via the online enterprise registration system to the PRC Ministry of Commerce.

According to the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign Invested Enterprises promulgated on March 30, 2015 and the Circular of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts promulgated on June 9, 2016, the RMB capital converted from foreign exchange capital, foreign debt funds, and proceeds remitted from foreign listings of a foreign-invested enterprise may not be directly or indirectly used for purposes beyond the business scope of such foreign-invested enterprise. On October 23, 2019, the SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation, or SAFE Circular 28. Among other things, SAFE Circular 28 relaxes prior restrictions and allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as the investments are real and in compliance with the foreign investment-related laws and regulations.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including the SAFE circulars referred to above, we cannot assure that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by APWC to our PRC subsidiaries and conversion of such loans or capital contributions into RMB. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially adversely affect the Company's business, financial condition and results of operations.

*Political or Social Instability, Health Epidemics and Environmental Issues in the PRC May Materially Adversely Affect the Company's Operations or Financial Condition*

Political or social instability in China could also materially adversely affect our business operations or financial condition. Our corporate headquarters are located in Taipei, Taiwan. Any escalation in political tensions between the PRC and the government of Taiwan could materially adversely impact our ability to manage our operations in the PRC efficiently or without third party interference. The PRC government has long advocated a one-China policy with regard to the Republic of China. Any overtly aggressive actions by the PRC towards Taiwan could have a materially destabilizing impact on Taiwan generally, and on our business in particular. In addition, adverse public health epidemics or pandemics in China could not only interfere with our ability to operate our PRC subsidiaries, but could also affect the country's overall economic growth, which could in turn affect the sales of our products in China. Growing environmental awareness and concern over the deterioration of the quality of the environment in China, including air and water quality, could dampen domestic industrial growth and reduce foreign investor interest in PRC investment.

*PRC State-Owned Enterprises (“SOEs”) May Have Competitive Advantages that We May Not Be Able to Overcome*

Much of the PRC's manufacturing output is still conducted through SOEs, which are often subsidized by the government such that they are protected against the challenges of market forces confronting private enterprises. As a consequence, it can become untenable for private enterprises in competition with SOEs to conduct profitable operations when the SOEs are being subsidized by the government and may operate in a loss position for an extended period. APWC's business, financial condition and results of operations may be materially adversely affected in the event it must compete with such SOEs.

*Inflation in the PRC May Materially Adversely Affect the Company's Business, Results of Operations and Financial Condition*

The rapid growth of the PRC economy has historically resulted in high levels of inflation. If inflation is significant, our costs would likely increase, and there can be no assurance that we would be able to increase our prices to an extent that would offset the increase in our expenses.

*PRC Power Shortages May Materially Adversely Affect Our Operations or Financial Condition*

We consume substantial amounts of electricity in our manufacturing processes at our production facilities in China. Certain parts of China have been subject to power shortages in recent years. We have experienced a number of power shortages at our production facilities in China to date, particularly in Shenzhen where numerous clusters of factories are situated. We are sometimes given advance notice of power shortages, but often power shortages or outages occur unexpectedly for various periods of time. We currently have a backup power system at certain of our production facilities in China. However, there can be no assurance that in the future our backup power system will be completely effective in the event of a power shortage, particularly if that power shortage is over a sustained period of time and/or we are not given advance notice thereof. Any power shortage, brownout or blackout for a significant period of time may disrupt our manufacturing, and as a result, could have a material adverse impact on our business, financial condition and results of operations.

*Dividends Payable by Our PRC Subsidiaries to Their Respective Offshore Investors Are Subject to PRC Withholding Taxes*

Under Chinese tax law and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as our PRC subsidiaries, to any of its foreign non-resident enterprise investors, and proceeds from any such foreign enterprise investor's disposition of assets (after deducting the net value of such assets) are subject to a 10% withholding tax, unless the foreign enterprise investor's jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax. Undistributed profits earned by foreign-invested enterprises prior to January 1, 2008 are exempted from any withholding tax. Bermuda, where APWC, the ultimate owner of our PRC subsidiaries and investments, is incorporated, does not have such a tax treaty with China. Hong Kong, where Crown Century Holdings Limited (“CCH HK”), the sole shareholder in Pacific Electric Wire and Cable (Shenzhen) (“PEWSC”), is incorporated, has a tax arrangement with China that currently provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirement that the Hong Kong resident enterprise owns at least 25% of the PRC enterprise distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and be a “beneficial owner” of the dividends. However, if CCH HK is not considered to be the beneficial owner of the dividends paid to it by PEWSC under the Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties promulgated on February 3, 2018, such dividends would be subject to withholding tax at a rate of 10%. Consequently, if our PRC subsidiaries declare a dividend or distribution and distribute profits earned after January 1, 2008 to their respective offshore investors, such payments will be subject to withholding tax.

### *Labor Law Legislation in the PRC May Materially Adversely Affect the Company's Operations or Financial Condition*

The PRC Labor Contract Law formalizes workers' rights concerning overtime hours, pensions, layoffs, employment contracts and the role of labor unions. Considered one of the strictest labor laws in the world, this law requires, among other things, an employer to conclude an "open-ended employment contract" with any employee who either has worked for the employer for ten years or more or has had two consecutive fixed-term contracts. An "open-ended employment contract" is in effect a lifetime, permanent contract, which is terminable only in specified circumstances, such as a material breach of the employer's rules and regulations, or for a serious dereliction of duty. Such employment contracts with qualifying workers would not be terminable if, for example, the Company determined to downsize its workforce in the event of an economic downturn. Under the Labor Contract Law, downsizing by 10% or more (or more than 20 persons) may occur only under specified circumstances, such as a restructuring undertaken pursuant to the PRC Enterprise Bankruptcy Law, or where a company suffers serious difficulties in production and/or business operations. Any of the Company's staff employed to work exclusively within the PRC are covered by the Labor Contract Law and thus, the Company's ability to adjust the size of its operations when necessary in periods of recession or less severe economic downturns is limited. Accordingly, if the Company faces future periods of decline in business activity, the Labor Contract Law can be expected to exacerbate the adverse effect of the economic environment on the Company's business, results of operations and financial condition. Additionally, the Labor Contract Law has affected the labor costs of our customers, which could adversely affect such customers' business and result in a corresponding decrease in their purchase of our products. Any of the foregoing could have a material adverse impact on the Company's business, financial condition and results of operations.

In addition, under the PRC Social Insurance Law and the Regulation on the Administration of Housing Accumulation Funds, an employer is required to pay various statutory employee benefits, including social insurance (namely pension insurance, work-related injury insurance, medical insurance, unemployment insurance, and maternity insurance) and housing funds to relevant government authorities for the benefit of its employees. If we fail to make adequate social insurance and housing fund contributions, we may be subject to late payment fees, fines and/or other penalties, and our business, financial condition and results of operations could be materially adversely affected.

### *Risks Relating to Our Exposure to Foreign Exchange Fluctuations*

Although our reporting currency is the U.S. dollar, the functional currency of our Thailand region, which accounted for 50.98% of sales in 2019, is the Thai Baht. The functional currencies of our ROW region, which accounted for 26.38% of sales in 2019, are the Australia dollar and the Singapore dollar. The functional currencies for our North Asia operations, which, in total accounted for 22.64% of sales in 2019, are divided into two groups: (i) Shandong Pacific Rubber Cable Company, Ltd. ("**SPRC**"), equity investee with 25% equity owned by APWC, (accounting under equity method), Shanghai Asia Pacific Electric Co., Ltd. ("**Shanghai Yayang**"), and PEWSC, whose functional currency is the Renminbi, and (ii) CCH HK, whose functional currency is the U.S. dollar. Accordingly, the functional currency accounts of these operations are all translated into U.S. dollars utilizing the reporting date exchange rate for balance sheet accounts, and an average exchange rate for the year for the income statement accounts, for reporting purposes. Any devaluation of the Baht, the Australian dollar, the Singapore dollar, or the Renminbi against the U.S. dollar would adversely affect our financial performance, as measured in U.S. dollars.

Fluctuations in foreign exchange rates affect our results of operations. Our principal operations and properties are located in the three regions that constitute our business segments, namely the North Asia, Thailand and Rest of the World ("**ROW**") regions. A substantial portion of our aggregate revenues is denominated in the following currencies: Renminbi, Baht, Australian dollars and Singapore dollars. Significant proportions of raw materials are in U.S. dollars, and consequently are directly affected by foreign currencies and exchange rates. Ongoing equipment upgrade and maintenance programs are also significantly impacted by foreign exchange rates. Any devaluation of the Baht, the Australian dollar, the Singapore dollar or the Renminbi against the U.S. dollar would increase the effective cost of foreign manufacturing equipment and the amount of our foreign currency denominated expenses and liabilities. This would have an adverse impact on our operations. An increase in U.S. dollar borrowing costs and any increase in the strength of the US\$ in foreign exchange markets (which could also increase borrowing rates) could materially adversely affect our business in the markets where we have operating plants (Thailand, China, Singapore and Australia). Our financial statements for our operating subsidiaries in those markets are reported and denominated in local currencies (referred to as our "functional currencies") and, when translated into U.S. dollars (our reporting currency), these operating subsidiaries suffer a decrease in reported

revenue and operating profits by reason of increased U.S. dollar borrowing costs or an increase in the value of the US\$ as against one or more of our functional currencies. Moreover, our purchases of materials are based on U.S. dollar quotations, which mean that our operating subsidiaries have to pay more in local currency in order to meet their trade payable obligations in the case of such an increase in the value of the U.S. dollar. Consequently, adverse movements in exchange rates could have a material adverse effect on our business, financial condition and results of operations.

In addition to our operating revenues being generated in local currencies, a portion of our investment properties and financial instruments are also denominated in currencies other than the U.S. dollar. Accordingly, our investment results will be subject to possible currency rate fluctuations as well as the volatility of overseas capital markets. Our results of operations may be materially impacted by those fluctuations and volatility.

#### *Competition*

The wire and cable industry in the Asia Pacific region is highly competitive, and if we fail to successfully invest in and maintain product development, productivity improvements and customer service and support, sales of our products could be materially adversely affected. Our competitors include a large number of independent domestic and foreign suppliers. Certain competitors in each of our markets have substantially greater manufacturing, sales, research and financial resources than we do. We and other wire and cable producers compete primarily on the basis of product quality and performance, reliability of supply, customer service, and price. To the extent that one or more of our competitors are more successful with respect to the primary competitive factors, our business could be materially adversely affected. In addition, the Company's business could be materially adversely impacted if low margin wire and cable manufacturers in China enter into the markets where we operate. Certain of our products are made to common specifications and may be interchangeable with the products of certain of our competitors. Since customers could potentially substitute our products with those of our competitors, customer loyalty is an important pillar of our business's competitive position.

In addition, in order to remain competitive in the industry, the Company must periodically make substantial investments in capital equipment to ensure that our production processes are and remain state-of-the-art. Capital expenditures are not always predictable, as they are often driven by customer requirements for enhanced products. We cannot guarantee we will have the available capital to make such capital expenditures when required, which could materially adversely affect our business, financial condition and results of operations.

#### *International Trade Policies May Negatively Impact Our Business, Results of Operations and Financial Condition*

Government policies on international trade and investment such as import quotas, tariffs, and capital controls, whether adopted by individual governments or addressed by regional trade blocs, can affect the demand for our products and services and those of our customers and impact the competitive position of our products or services or those of our customers. For example, the business of our customers in China may be adversely impacted by the continuing trade friction between the United States and China. We cannot predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, and our suppliers, which in turn could materially adversely impact our business, financial condition and results of operations.

#### *Alternative Transmission Technologies*

Our telecommunications cable business is subject to competition from other transmission technologies, principally wireless-based technologies. Wireless telecommunications businesses have sometimes made substantial inroads in early emerging markets where sufficient funding may not then be available to install the infrastructure necessary for market-wide fixed line telecommunications. In addition, the ease of use of wireless telecommunications may make that medium an attractive alternative in circumstances where access to fixed line telecommunications is limited. These technologies present significant competition in the markets in which we conduct or plan to conduct business and no assurance can be given that the future development and use of such alternative technologies will not materially adversely affect our business, financial condition and results of operations.



### *We Operate in Highly Concentrated Markets*

Failure to properly execute customer projects in markets where a small number of customers are responsible for a large portion our sales could materially adversely impact our ability to obtain similar contracts from other customers in that market and may result in material financial penalties. In certain of our markets, sales of manufactured products are highly concentrated in large state-controlled entities or large private infrastructure developers. As those markets are often highly concentrated, the loss of individual customers in such markets could have a material adverse impact on our position in that market as a whole and could materially adversely affect our business, financial condition and results of operations.

### *Risks Associated With Required Productivity Increases*

Our business strategy includes a focus on improving our financial results through increased efficiency and productivity. In the event we are not able to implement measures to increase efficiencies and productivity, we may be limited in achieving improved financial results or our financial results may worsen. Moreover, productivity increases are linked to capacity utilization rates. A drop in the utilization rate of our manufacturing capacity would adversely impact productivity and could have a material adverse effect on our business, financial condition and results of operations.

### *Employees' Unions*

Some of the operating subsidiaries of the Company have a large number of employees that are members of employees' unions. Failure to successfully negotiate and/or renew collective agreements, strikes, or other labor disputes could result in a disruption of our operations. Any such labor dispute could lead to a disruption of our operations, hindering our ability to serve our customers, and could have a material adverse effect on the Company's and could materially adversely affect our business, financial condition and results of operations.

### *Information Systems*

The Company's subsidiaries each have their respective information systems to support the operation of such subsidiary. Some of the Company's subsidiaries have implemented systems upon which they place great reliance for efficient operations. Most business operations, including sales, procurement, production, inventory and accounting, are processed by our internal information systems. While our operating subsidiaries vary in the degree of reliance that they place on their information systems, they all may be materially adversely affected by the failure or breakdown of their information system. A disruption of a subsidiary's information system could materially adversely affect the Company's business, financial condition and results of operations. Among other things, financial data may be corrupted and financial information may not be accurately reported or presented in a timely manner, which could impair the Company's ability to timely file periodic or annual reports with the SEC or timely disseminate material information to shareholders. A system failure could also result in a decrease in customer satisfaction because of a delay in the delivery of goods or order processing. Intellectual property, company reputation, and competitive advantages could also be harmed with an information system failure.

Increased reliance on information systems requires the implementation of IT security measures to protect networks, computers, programs and data from attack, damage or unauthorized access and ensure the confidentiality, availability and integrity of Company data. If the Company's IT security measures are compromised or otherwise fail to protect systems, networks and data, or if an event of force majeure occurs and the Company's disaster recovery plan does not operating effectively, the Company's business may be disrupted and stand to lose assets, reputation and business, and potentially face regulatory fines and litigation as well as the cost of remediation, which could materially adversely impact the Company's business, financial condition and results of operations.

### *Cyber Security Breaches Could Have A Material Adverse Effect on Our Business And Operations*

Intense competition in the wire and cable sector renders APWC vulnerable to theft and copying of design specifications. While the Company relies upon its majority shareholder, PEWC, for much of its research and development, APWC's products are designed precisely to meet customer specifications for the applications for which they are intended. Our cybersecurity systems are intended to protect not only our manufacturing and assembling methodologies, but also the proprietary data and operating systems of our customers and of third-party

licensors who may make their intellectual property available for use by us or by our customers in the development of our customers' end product.

Cybersecurity risks create potential for a material adverse impact on the Company's business, financial condition and result of operations due to, but not limited to, losing intellectual property, implementing reactive measures, managing litigation or investigations, addressing reputational harm, or losing a competitive advantage. Mitigating these risks requires ongoing management oversight to ensure that sufficient controls and procedures are in place for appropriate persons to receive pertinent cybersecurity risk information to take appropriate action. The Company cannot offer any assurances that those controls and procedures will be sufficient to protect against cybersecurity risks.

APWC employs safeguards, both technological and contractual, in order to protect its proprietary interests and those of its customers and third-party licensors, including, without limitation, certain insurance against theft and risk of loss, and in order to preserve the APWC's reputation as a reliable manufacturer and distributor of finished goods for which good and clean title may pass. However, we cannot guarantee that such safeguards will protect the Company from all types of cybersecurity threats which could result in a material adverse effect on the Company's business, financial condition and results of operations.

#### *Employees and Personnel*

If we fail to retain our key employees and attract qualified personnel, our business may be harmed. The loss of any of our executive officers or other key employees could have a material adverse effect on our business, financial condition and results of operations. The loss of executive officers or key employees could impair customer relationships and result in the loss of vital industry knowledge, expertise, and experience. There is also a risk of losing key employees to our competitors, which could pose a possible risk of the theft of trade secrets, with competitors then gaining valuable information about our manufacturing process. The Company's future success depends on its continued ability to attract and retain talented and qualified personnel.

#### *Impairment Charges*

In prior years, we have on occasion recognized impairment charges on certain property, plant and equipment due to lack of profitability. We recognized impairment charges of \$546 thousand for 2019.

An impairment charge may be incurred for various reasons including, but not limited to, strategic decisions made in response to changes in economic and competitive conditions, the impact of the economic environment on our business or a material adverse change in any material relationships with our clients. If we recognize significant impairment charges, our results of operations may be materially adversely affected.

#### *Environmental Liabilities*

We are subject to certain environmental protection laws and regulations governing our operations and the use, handling, disposal and remediation of hazardous substances used by us. We could incur environmental liability from our manufacturing activities in the event of a release or discharge by us of a hazardous substance. Under certain environmental laws, we could be held responsible for the remediation of any hazardous substance contamination at our facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. There can be no assurance that the costs of complying with environmental, health and safety laws and requirements arising from our current operations, or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future liabilities incurred, or expenditures payable, by us that would materially adversely affect our business, financial condition and results of operations.

#### *International Business Risks*

We are subject to risks specific to our international business operations, including: the risk of supply disruption; production disruption or other disruption arising from events of force majeure, such as severe weather and climatic events; the outbreak of highly infectious or communicable diseases such as COVID-19, Severe Acute Respiratory Syndrome, swine influenza or pandemics of a similar nature; the risk of potential conflict and further instability in the relationship between Taiwan and the PRC; risks related to national and international political instability, such as disruptions to business activities and investment arising out of the political unrest and turmoil in Thailand; risks related to the recent global economic turbulence and adverse economic developments in

a number of Asian markets; risks associated with the possible interest rate increases, which could result in increases in the cost of borrowing and reduced liquidity for us and our customers; risks related to changes in governmental or private sector policies and priorities with respect to infrastructure investment and development; unpredictable consequences on the economic conditions in the U.S. and the rest of the world arising from terrorist attacks, and other military or security operations; unexpected changes in regulatory requirements or legal uncertainties regarding tax regimes; tariffs and other trade barriers, including current and future import and export restrictions; difficulties in staffing and managing international operations in countries such as Australia, Singapore, the PRC, Thailand and Taiwan; risks that changes in foreign currency exchange rates will make our products comparatively more expensive; limited ability to enforce agreements and other rights in foreign countries; changes in labor conditions; longer payment cycles and greater difficulty in collecting accounts receivable; burdens and costs of compliance with a variety of foreign laws; limitation on imports or exports and the possible expropriation of private enterprises; and reversal of the current policies (including favorable tax and lending policies) encouraging foreign investment or foreign trade by our host countries.

#### **ITEM 4: INFORMATION ON THE COMPANY**

##### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

Asia Pacific Wire & Cable Corporation Limited was formed on September 19, 1996 as a Bermuda exempted company limited by shares and incorporated under the Bermuda Companies Act 1981, as amended (the “Companies Act”). The address of the Company’s principal place of business is Room B, 15th Floor, No. 77, Sec. 2, Dunhua South Road, Taipei, 106, Taiwan, and its telephone number is +(886) 2-2712-2558. Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711, is the Company’s agent for service of process in the United States.

The Company is principally engaged in the manufacture and distribution of telecommunications (primarily copper, but also fiber optic) and power cable, enameled wire and electronic wire products in the Asia Pacific region, primarily in Thailand, China, Singapore and Australia. The Company also provides project engineering services to certain customers.

Shanghai Yayang, which had previously produced enameled wires, ceased production by end of October of 2019 and has been restructured as a trading company in Shanghai that supplies mainly transformer, motor and coil manufacturers in the eastern part of China, locally in the Shanghai market and to certain Taiwanese-based manufacturers.

Principal capital expenditures consisted purchases of property, plant and equipment totaling \$5.4 million in 2019, \$4.4 million in 2018 and \$4.9 million in 2017, mostly for the purchase of production machinery and equipment for the CTW group in Thailand.

In 2017, Ningbo Pacific Cable Co., Ltd. (“Ningbo” or “NPC”), sold real estate and land use rights, which yielded \$4.4 million in operating profit.

The Company is currently planning to launch the following CAPEX projects: to purchase new equipment to expand the production capacity in China and Thailand, to build new factory buildings in Thailand and to purchase a new warehouse in Australia.

The Company’s present plans include seeking to develop an alternative energy business in Taiwan by availing itself of new tax-driven development incentives provided by the Taiwan government for the expansion of “green” energy alternatives. This project remains at a development-stage and has not generated any revenues to date.

Please see Note 29 (Subsequent Events) to the consolidated financial statements referenced in Item 18 hereof for information on recent material events, which Note contains information regarding recent development in respect of the risk of the delisting of our Common Shares from Nasdaq and in respect of the material adverse effects of COVID-19 on the Company, its business, operations, financial condition, employees and customers.

Our website is located at [www.apwcc.com](http://www.apwcc.com). The information contained or linked to on our website is not included in, or incorporated by reference into, this Annual Report on Form 20-F. Our filings with the SEC, including reports, proxy and information statements, and other information regarding us that is filed electronically with the SEC are available on the SEC’s websites at [www.sec.gov](http://www.sec.gov).

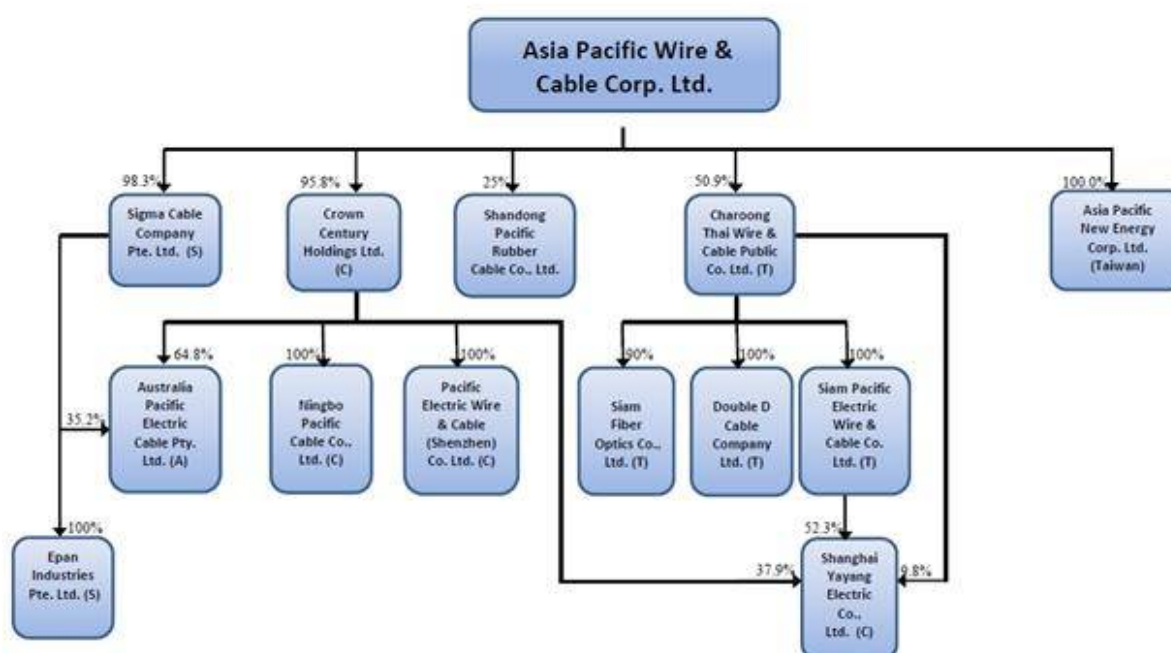
## B. BUSINESS OVERVIEW

The Company is a holding company that operates its business through operating subsidiaries and associates, principally located in Thailand, China, Singapore and Australia.

The Company is principally engaged in the manufacture and distribution of telecommunications (primarily copper, but also fiber optic) and power cable, enameled wire and electronic wire products in the Asia Pacific region, primarily in Thailand, China, Singapore and Australia. The Company also provides project engineering services to certain customers.

The Company's present plans include seeking to develop an alternative energy business in Taiwan by availing itself of new tax-driven development incentives provided by the Taiwan government for the expansion of "green" energy alternatives. This project remains at a development-stage and has not generated any revenues to date.

The following chart shows the organizational structure of the Company as of December 31, 2019 and its principal operating subsidiaries, including affiliate ownerships, and the percentage of ownership interest and voting power in each case. The location of the headquarters of each company is indicated in parentheses under the company's name ("T" for Thailand, "C" for China or Hong Kong, "S" for Singapore and "A" for Australia).



### *Thailand Region*

The Company's Thai operations are conducted through Charoong Thai, Siam Pacific, Double D Cable Company Ltd. ("DD") and Siam Fiber Optics Co. Ltd. ("Siam Fiber Optics"). Charoong Thai and Siam Pacific are the Company's principal entities in Thailand.

Charoong Thai is a publicly-traded Thai corporation, the shares of which are listed on the Stock Exchange of Thailand (“SET”). It manufactures aluminum and copper electric wire, medium and high voltage power cables and telecommunication cables. It has subsidiaries and affiliates in the businesses of optic fiber cable manufacturing and telecommunication and network services. Charoong Thai was established in Thailand in 1967 as a limited public company. As of December 31, 2019, the Company effectively owned 50.93% of the issued and outstanding shares of Charoong Thai. The Company’s present intention is to maintain majority ownership of the voting securities of Charoong Thai. The board of directors of Charoong Thai may authorize the issuance of additional shares of common stock of Charoong Thai. The Company has preemptive rights to purchase its pro rata share of any additional authorized shares, less amounts reserved for directors, officers or employees. In the event the board of Charoong Thai decides to cause it to issue additional shares, the Company may decide not to exercise its preemptive rights, in which case the Company’s interest may be diluted.

Siam Pacific was established in 1988 as a joint venture between PEWC and Italian-Thai Development Plc. Siam Pacific is now a 100%-owned subsidiary of Charoong Thai and focuses on the manufacture of telecommunications cables, and enameled wires for the domestic Thai market.

#### *North Asia Region*

During 2019, the Company’s China (and North Asia) principal operations were conducted through five business entities – Shanghai Asia Pacific Electric Co., Ltd. (“Shanghai Yayang”), Crown Century Holdings Limited (“CCH HK”), Pacific Electric Wire and Cable (Shenzhen) (“PEWSC”), Shandong Pacific Rubber Cable Company, Ltd. (“SPRC”), and Asia Pacific New Energy Corp. Ltd. (“APNEC”). The operating entities include Shanghai Yayang, formerly known as Shanghai Pacific Electric Co., Ltd., a subsidiary in Shanghai incorporated in June 1998 to manufacture enameled wires. The Company’s effective holding in Shanghai Yayang is 68.75%. Shanghai Yayang manufactured enameled wires with a diameter between 0.05mm and 2.5mm for sale and distribution in the eastern part of China, and to Chinese and Taiwanese based end-users up to end of October 2019, then it has been restructured as a trading company.

The Company has an effective holding of 97.93% of the capital stock of CCH HK, a Hong Kong registered company, and its wholly-owned subsidiary company, PEWSC. PEWSC manufactures enameled wires for electric, video and audio products for both domestic and export sales.

The Company holds a 25.0% interest in SPRC, which manufactures rubber cables for the China market. The remaining 75% is owned by Shandong Yanggu Wire & Cable Corp. Ltd. (“Shandong Yanggu”), an established cable manufacturer in Shandong Province that produces a wide range of cable products.

The Company continues to own the equity of Ningbo, which still holds its government-granted business license. The Company has disposed of the buildings and most of the equipment and the land use rights for the property where the Ningbo operations were situated. The principal machinery utilized at the Ningbo facility has either been sold or stored at other operating facilities of APWC.

The Company established a new entity, APNEC, in Taipei City on October 26, 2018 for the new renewable energy business. APNEC seeks to develop an alternative energy business in Taiwan by availing itself of incentives provided by the Taiwan energy authority for the expansion of “green” energy alternatives. This project remains at a development-stage and has not generated any revenues to date.

#### *Rest of the World (“ROW”) Region*

The Company’s ROW region currently consists of its Singapore and Australian operations.

The Company’s Singapore operations are principally conducted through Sigma Cable Company (Private) Limited (“Sigma Cable”), an indirect, 98.3%-owned subsidiary of the Company. The Company believes that Sigma Cable is one of the major suppliers of power cable products in Singapore. Sigma Cable manufactures and sells a range of low voltage power cable products, used mainly in infrastructure projects and commercial and residential developments. Sigma Cable is the exclusive distributor in Singapore of medium and high voltage wire and cable products manufactured by PEWC. It is also the distributor for general wires manufactured by a third-party supplier.

Sigma Cable also has project engineering operations in Singapore to supply, deliver and install (referred to as “SDI”) primarily medium and high voltage cables to power transmission projects. While the Company currently obtains its supply of medium and high voltage power cables for its SDI operations from PEWC, other suppliers are also available if necessary.

Sigma Cable owns 100% of the capital stock of Epan Industries Pte. Ltd. (“Epan”) a Singaporean Company. Currently, Epan is acting as the distributor of Sigma Cable products and those of other third party suppliers.

The Company’s business in Australia is conducted by Australia Pacific Electric Cable Pty. Ltd. (“APEC”). The Company’s indirect, beneficial ownership interest in APEC is 98.06%. APEC is located near Brisbane and is one of three major wire and cable manufacturers in Australia. APEC produces a range of power cables supplemented by imports from overseas sister companies. APEC possesses a substantial marketing and distribution infrastructure with a network of sales offices and warehouses in the cities of Brisbane, Sydney, Melbourne and Perth.

#### **4.2.1 Products and Services**

Across the Company’s three reporting segments, the Company engages in three principal business lines that consist of manufacturing and distributing wire and cable products, such as power cables and enameled wires, and providing project engineering services to certain customers. The Company manufactures and sells a wide variety of wire and cable products in primarily four general categories: telecommunications cables, power transmission cables, enameled wires, and electronic wires. The Company’s telecommunications and power cables are used in a range of infrastructure projects and in commercial and residential developments. The Company’s enameled wires are used in the manufacturing of components and sub-components of a number of household appliances and small machinery. The electronic wire products are used in the electronics, computer, building automation, audio and communication industries. In addition, the Company acts as a distributor of wire and cable products manufactured by PEWC and other third party suppliers in Singapore. The Company also offers SDI project engineering services of medium and high voltage cables for power transmission projects in Singapore.

#### **Services**

##### *Fabrication*

The Company performs fabrication services for its customers, converting raw materials to wire and cable products. Raw materials, such as copper, aluminum, polyvinyl chloride, polyethylene and optic fibers, are commodities traded on global markets with anticipated price fluctuations and currency risk. Given these risks, the Company provides fabrication services using customer-owned materials to pass exposure to the customer.

##### *SDI Project Engineering Services*

Given government and private sector infrastructure projects and residential and commercial buildings activity in Singapore, the Company anticipates modest demand for medium and high voltage power and for value added services in the power supply industry. To take advantage of these opportunities, the Company has developed an SDI project engineering capability. This SDI project engineering involves supply, delivery and installation of primarily medium and high voltage cables to power transmission projects in Singapore. Through entering into a contract to supply, deliver and install cables for a power transmission project, the Company delivers medium and high voltage cables and enters into subcontracting agreements with local companies to install the cables as required by the project.

#### **Products**

Copper rod is the base component for most of the Company’s products. The manufacturing processes for these products require that the rod be “drawn” and insulated. In the “drawing” process, copper rod is drawn through a series of dies to reduce the copper to a specific diameter. For certain applications, the drawn copper conductor is then plated with tin. Copper used in cables is covered with various insulating materials that are applied in an extrusion process. The insulated wires are then combined, or “cabled” to produce the desired electrical properties and transmission capabilities. Then, depending upon the cable, some form of protective cover is placed over the cabled wires. A summary of the manufacturing process used for the Company’s primary wire and cable products is set forth below.

### *Telecommunications Cable*

The Company produces a wide range of bundled telecommunications cables for telephone and data transmissions with different capacities and insulations designed for use in various internal and external environments. The principal use of these cables is as access cables to connect buildings and residents to trunk cables. Telecommunications cables produced by the Company include copper-based and fiber optic cables.

Production of copper-based telecommunications cables begins by drawing a copper rod until it has reached the desired diameter, after which the drawn wires are subjected to a process called “annealing” in which the wires are heated in order to make the wires softer and more pliable. Utilizing an extrusion process, which involves the feeding, melting and pumping of a compound through a die to shape it in final form as it is applied to insulate the wire, the wires are then covered by a polyethylene (“PE”) or polyvinyl chloride (“PVC”) compound and foam skin, suitable for different installations and environmental conditions. In order to reduce the cross-talk between pairs of communication wires, the insulated wires are then “twinned” or twisted so that two insulated single wires are combined to create a color-coded twisted pair. The twisted pairs of wires are then “cabled” or “stranded” into units of 25 twisted pairs for combination with other 25 pair units to form cable of various widths and capacities. The appropriate number of units is cabled together after stranding to form a round cables core. Depending upon the planned environment, a petroleum jelly compound may then be added to fill the cable core to seal out moisture and water vapor. Aluminum or copper tape is used to “shield” the cables and, finally, the shielded cable core is covered by plastic outer sheathing. The Company manufactures telecommunications cables with capacities and sizes ranging from 25 to 3,000 pairs of 0.4 mm-diameter wires to 10 to 600 pairs of 0.9 mm-diameter wires.

### *Power Cable*

The Company produces a range of armored and unarmored low voltage power transmission cables. Low voltage power cables, generally considered to be cable with a capacity of 1 to 3.3 kilovolts, is typically used to transmit electricity to and within commercial and residential buildings, as well as to outdoor installations such as street lights, traffic signals and other signs. Armored low-voltage power cables are usually used for public lighting and power transmission running to buildings and installed either above or below ground. Unarmored low voltage cables are mainly used as lighting and power supply cables inside and outside of buildings. The voltage capacity of the Company’s power cables ranges from 300 volts to 1 kilovolt.

Production of unarmored cables begins by drawing and annealing of copper rods. The drawn copper wires are then stranded or “bunched” into round or sector-shaped conductors in sizes ranging from 1.5 square millimeters to 1000 square millimeters. The copper conductors are then covered in an extrusion process with a plastic insulator such as PVC, after which 2-5 conductors are twisted into a circular cable core in a cabling process and covered by a plastic outer cover.

Unarmored cables are composed of one or more cores of copper wire, insulated by substances such as PVC. Armored cables are produced in the same manner and the same range of configurations as unarmored cables, but with the addition of an outer layer of galvanized steel or iron wires to protect the cables from damage.

### *Enameled Wire*

The Company also produces several varieties of enameled wires. Enameled wires are copper wires varnished, in an enameling process, by insulating materials. The enameling process makes the wires more resistant to oil, heat, friction and fusion, and therefore suitable for use in machinery and components and sub-components of manufactured goods. The Company manufactures enameled wires in sizes that range from 0.02 mm to 4.00 mm in diameter, varnished by various types of petroleum insulation materials including polyvinyl formal, polyurethane wires and polyester. Enameled wire products are used in the assembly of a wide range of electrical products, including oil-filled transformers, refrigerator motors, telephones, radios, televisions, fan motors, air conditioner compressors and other electric appliances.

#### 4.2.2 Raw Materials

Copper is the principal raw material used by the Company for copper-based products. The Company typically purchases copper at prices based on the average prevailing international spot market prices on the LME for copper for the one month prior to purchase. The price of copper is influenced heavily by global supply and demand as well as speculative trading. As with other costs of production, changes in the price of copper can affect the Company's cost of sales. Whether this has a material impact on the Company's operating margins and financial results depends primarily on the Company's ability to adjust selling prices to its customers, such that increases and decreases in the price of copper are reflected in those selling prices. Most sales of the Company's manufactured products reflect copper prices prevailing at the time the products are ordered. A long-term decrease in the price of copper would require the Company to revalue the value of its inventory at periodic intervals to the then net realizable value, which could be below cost.

The Company purchases copper in the form of rods and cathodes. Copper cathodes are thin sheets of copper purified from copper ore. The Company presently utilizes the services of Thai Metal Processing Co., Ltd. to process its copper cathodes into copper rods in Thailand although the Company has a variety of processing companies from which it may obtain these services. Copper rods are drawn into copper wires for the production of telecommunications cables, power cables and enameled wires.

The Company has historically purchased a substantial portion of its copper rods from PEWC. Under the Composite Services Agreement between the Company and PEWC, PEWC has agreed to supply to the Company on a priority basis with its copper rod requirements at prices at least as favorable as prices charged to other purchasers in the same markets purchasing similar quantities. However, the Company has diversified its copper purchases from among a number of preferred copper suppliers to ensure that we are consistently getting the most advantageous pricing on our copper purchases. Under the Company's copper rod supply arrangements, orders are typically placed between eight to ten weeks before the desired delivery date, with prices "pegged" to the average spot price of copper on the LME for the one month prior to delivery plus a premium.

The Company imports both copper cathodes and copper rods in Thailand, with copper cathodes subjected to lower import duty than copper rods. The key suppliers are PT. Karya Sumiden Indonesia - Indonesia, PEWC-Taiwan, Walsin Lihwa Corporation.- Taiwan, Mitsubishi Corporation RtM International Ptd.- Singapore, Glencore International AG.- Switzerland, and Marubeni Corporation-Japan. The Company attempts to maintain approximately a three to five week supply of copper rods and cathodes for its Thai operations and approximately a two to four week supply in Singapore. In PEWSC, the Company generally maintains one to two weeks of supply of copper rods and cathodes. In APEC, the copper supply is generally maintained at one to two weeks of anticipated requirements. The Company has regularly signed one-year contracts with each of the copper suppliers, pursuant to which the Company agrees to purchase a set quantity of copper each month. Under the terms of such contracts, the price of copper is typically pegged to the monthly average of the spot price of copper on the LME for the delivery month (M-0), or 1 month before delivery month (M-1) plus a premium. The Company has not had and does not anticipate any material supply interruption or difficulty in obtaining a sufficient supply of copper rod or cathode. The Company anticipates that its copper suppliers will be capable of providing an adequate supply of copper to meet the Company's requirements and the Company does not anticipate any change in relations with its copper suppliers in the near term.

Other raw materials used by the Company include aluminum used as a conductor in power cables and petroleum-based insulation materials such as PE, PVC and jelly compounds for insulating covers on cables and varnishes on enameled wires; aluminum foils for sheathing of communication cables; and galvanized steel wires for the production of armored wires. The Company has not had and does not anticipate any difficulty in maintaining adequate supplies of these raw materials and expects to continue to be able to purchase such raw materials at prevailing market prices.

Other than import tariffs in Thailand, the Company does not face any restriction or control on the purchase or import of its raw materials. The Company may freely choose its suppliers and negotiate the price and quantity of material with its suppliers. The Company formulates consumption plans for raw materials regularly and continually monitors market conditions in respect of the supply, price and quality of raw materials.

Inflation would increase the cost of raw materials and operating expenses for the Company. If inflation increases, the Company would try to maintain its operating margins by increasing the prices of its products.



### 4.2.3 Quality Control

In order to maintain product quality, the Company has implemented a range of quality control procedures under the supervision of dedicated quality control staff. Quality control procedures are implemented from the raw material to the finished product stages at each of the Company's major production facilities. Raw materials are inspected to ensure they meet the necessary level of quality before production begins. During the manufacturing process, quality control procedures are performed at several stages of production. Upon completion, finished goods are brought to quality control centers set up in the factory for inspection and testing of different electrical and physical properties.

Depending on the requirements of its customers, the Company has the capability to manufacture its products to meet a variety of different quality and production standards. These include local standards and certifications, such as the Singapore Institute of Standards and Industrial Research Quality Mark and the Thailand Industrial Standard, as well as other standards including the National Electrical Manufacturers Association Standard, the British Standard, the Japan Industrial Standard and Underwriters Laboratories Inc. Standard, as applicable.

All major companies in the APWC group have attained International Standards Organization ("ISO") 9002 certification for quality management and assurance standards in the manufacture of electric wires and cables and have maintained that certification for at least the last ten years. The certifications mean that the companies have in place quality assurance systems and the capability to consistently manufacture products of quality.

### 4.2.4 Reporting Segments

The Company's telecommunications cable and power cable products are primarily sold in the domestic markets of the countries where they are manufactured, whereas most of the enameled wires manufactured by the Company in Thailand are exported, primarily to customers throughout Southeast Asia. The following table sets forth the Company's sales revenues for the periods indicated in its three reporting segments – North Asia region, Thailand region and ROW region for its three principal product lines, *i.e.*, power, enameled and others together with their respective percentage share of total sales by reporting segment for such periods.

Year ended	North Asia	Thailand	ROW	Total segments Consolidated
December 31, 2019	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue from external customers</b>				
Power	—	49,493	78,686	128,179
Enamel	76,575	102,997	—	179,572
Others*	—	19,889	10,520	30,409
	<u>76,575</u>	<u>172,379</u>	<u>89,206</u>	<u>338,160</u>
Year ended	North Asia	Thailand	ROW	Total segments Consolidated
December 31, 2018	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue from external customers</b>				
Power	—	64,771	92,130	156,901
Enamel	103,647	114,247	—	217,894
Others*	—	34,406	16,739	51,145
	<u>103,647</u>	<u>213,424</u>	<u>108,869</u>	<u>425,940</u>
Year ended	North Asia	Thailand	ROW	Total segments Consolidated
December 31, 2017	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue from external customers</b>				
Power	—	104,426	95,820	200,246
Enamel	101,533	94,791	—	196,324
Others*	—	7,268	21,377	28,645
	<u>101,533</u>	<u>206,485</u>	<u>117,197</u>	<u>425,215</u>

\* Includes revenues from SDI service contracts, fabrications service contracts, and sales of other wires and cable products.

	<u>Year ended December 31,</u>
	<u>2017 (a)</u>
	US\$'000
Manufactured Products	361,853
Distributed Products	41,985
SDI	21,377
<b>Total Revenue</b>	<b><u>425,215</u></b>

(a) The Company's disaggregated revenues transitioned from reporting of Manufactured Products, Distributed Products and SDI segments in 2017 to reporting of Power, Enamel and Others product lines in 2018. Reported results of Power, Enamel and Others product lines provide improved understanding and insight to the performance of the Company and its products and services.

Our operating subsidiaries are also responsible for sales planning, marketing strategy and customer liaison. The Company's sales staff is knowledgeable about the Company's products and also renders technical assistance, consulting services and repair and maintenance services to the Company's customers. The Company does not conduct sales through independent sales agents on a commission basis but uses its own sales employees located at the operating subsidiaries.

As copper constitutes the most significant component of the Company's wire and cable products, the price of the Company's products depends primarily upon the price of copper. In order to minimize the impact of copper price fluctuations, the Company attempts to determine the prices of its products based on the prevailing market price of copper. The Company may be affected, to a degree, in the short term by significant fluctuations in the price of copper.

Payment methods for the Company's products vary with markets and customers. The majority of sales by the Company requires payment within 90 days, but may vary depending on the customer and payment record. Sales pursuant to a successful project tender or sales to governmental or public utilities are conducted in accordance with the tender or other applicable regulations. In connection with the distribution of medium and high voltage power cables manufactured by PEWC, the Company is required to pay PEWC 90% of the cost of the products either within 30 days of receipt of the product or, in the case of SDI products, upon installation, with the remaining 10% in either case to be paid within one year. In connection with the purchase of copper rod, the Company is required to pay PEWC the cost of the copper rod within 30 days from obtaining the products from PEWC. For the export market, payment is usually made by prior delivery of an irrevocable letter of credit. Neither the Company nor its operating subsidiaries offers financing for purchases of the Company's products. Company employees engaged in sales and marketing are paid a salary and may also receive a bonus based on performance.

Products are marketed under the respective names of the operating subsidiaries. For instance, products manufactured by Siam Pacific are marketed under the "Siam Pacific" trade name. Products manufactured by Sigma Cable are sold under the "Sigma Cable" brand.

#### *North Asia*

The Company produces and sells enameled wires and electronic wires in China. The Company's principal China operations are conducted through China business entities. The Company generally sells enameled wires directly to manufacturers of electric motors for use in various consumer appliances.

#### *Thailand*

The Company produces and sells telecommunication cables, enameled wires and power cables in Thailand. Charoong Thai is one of the leading cable manufacturers in Thailand. Our distribution channels include both direct sales to government entities and private sector participants in the infrastructure sector, and sales to agents for governmental entities. Sales within the Thailand region are made directly by the sales department of the Company's operating subsidiaries in accordance with terms and pricing set by the local subsidiaries. The major customers of the Company include clients working with the government and its contractors.

## *ROW*

The Company produces and sells low voltage power cables in Singapore and Australia. In addition, the Company sells a wide range of wire and cable products produced by third party suppliers and PEWC. The Company also offers SDI project engineering services for medium and high voltage power cables to power transmission projects in Singapore.

In 2019, sales of wire and cable products accounted for 86% of the total net sales in Singapore, with the remaining 14% of sales in Singapore representing SDI project engineering services. SP Power Assets Ltd. has historically been the principal customer for the Company's SDI services, accounting for nearly all of our SDI sales. Sales to SP Power Assets Ltd. are under a comprehensive contract, with purchase orders placed from time to time.

### **4.2.5 Competition**

The wire and cable industry in the Asia Pacific region is highly competitive. The Company's competitors include a large number of independent domestic and foreign suppliers. Certain competitors in each of the Company's markets have substantially greater manufacturing, sales, research and financial resources than the Company. The Company and other wire and cable producers primarily compete on the basis of product quality and performance, reliability of supply, customer service and price.

#### *Thailand*

The wire and cable industry in Thailand is highly competitive. In its various product lines, the Company competes with a total of approximately thirty local wire and cable manufacturers and, to a lesser extent, with foreign producers for sales in Thailand of telecommunications cables, power cables and enameled wires. The Company is one of the five largest producers in the Thai market. These five largest producers are the only producers of telecommunications cables approved by the Thai Industrial Standards Institute and, therefore, the only cable producers whose products may be used in government-commissioned projects. Governmental approval processes, tariffs and other import restrictions have limited competition in the Thailand market from foreign wire and cable producers. The Company also experiences significant competition from a number of smaller producers with regard to sales of enameled wire products.

#### *Singapore*

Although the Company believes that Sigma Cable is one of the major suppliers of power cable products in Singapore, it is subject to significant competition from producers within the region. There is no tariff or other barrier against foreign competition in the local Singapore market and potential competitors are free to enter the industry. Because of high capital costs, the Company does not presently anticipate that it is likely there will be new domestic entrants to the wire and cable industry in Singapore in the near future that would present material competition to the Company or be in a position to capture a material percentage of the Company's share of the market. However, the performance of Sigma Cable in 2019 was impacted adversely by increased intense competition from Chinese manufacturers seeking to capture a greater share of the Singaporean market.

#### *Australia*

Currently, besides APEC, there are two major wire and cable producers with operations located in Australia: Olex Cables (owned by Nexans) and Prysmian Cables, with factories in the States of Victoria and New South Wales, respectively. A significant portion of Australian market is serviced by two importers: (i) Electra Cables which reportedly imports cables from China factories; and (ii) World Wire Cables, which reportedly also sources cables from its Chinese partners to sell in Australian market. These companies are APEC's principal competitors. APEC is the only power cable producer in the State of Queensland and therefore seeks to take advantage of its comparative proximity to Queensland-based customers in contrast to competitors that are required to transport their products into Queensland from other states in Australia. APEC has sales offices with warehousing facilities in Sydney, Melbourne, Brisbane, and Perth in order to attract and serve the customers in those regions. APEC also has a distribution agreement with one of the regional suppliers with the goal of generating additional business for the Australia operations.

## *China*

PEWSC manufactures enameled wires in the Shenzhen Special Economic Zone in Guangdong Province for electronic, video and audio products for the South China market and for export. It supplies mainly to overseas transformer, motor and coil manufacturers. It faces competition principally from overseas imports and local manufacturers.

Shanghai Yayang has been restructured as a trading company in Shanghai and it supplies mainly transformer, motor and coil manufacturers in the eastern part of China, locally in the Shanghai market and certain Taiwanese-based manufacturers. It faces competition principally from overseas imports and manufacturers from other provinces in China.

### **4.2.6 Regional Considerations**

The principal Asian markets in which we do business have displayed higher overall economic growth in recent years compared to the United States and a number of other more developed markets, subject to occasional episodes of economic and currency exchange volatility attributable to various factors including the increased risks of emerging market investment, actual or potential political instability and occasional pandemics. In some countries, the International Monetary Fund (the “**IMF**”) exerts considerable influence over economic policy and provides support to stabilize the domestic economy. In general, the Asian markets in which we do business have been export-driven in recent years and have, in the case of China and Singapore, for example, accumulated considerable capital reserves, which contributes to a more stable business environment.

## *Thailand Region*

A substantial portion of the Company’s Thai operations, whose sales accounted for approximately 50.98% of the Company’s net sales in 2019, consists of the manufacture and sale of telecommunications and power cable for use in large-scale telecommunications projects and various construction projects in Thailand. The volume of sales of these products tends to correlate with the general level of economic activity in Thailand. As a result, the performance of the Company’s Thai operations depends in significant part on the general state of the Thai economy. Infrastructure development and related construction projects in Thailand depend significantly upon government sponsored initiatives. In recent years, the level of government involvement in infrastructure development has tended to track increases or contractions in Thailand’s gross domestic product (“**GDP**”). Overall, the construction industry and infrastructure projects have slowed considerably, thereby affecting local sales, placing competitive pressure on prices and prompting the Company to rationalize Thai operations and actively seek overseas export markets. Political instability in Thailand tends to diminish governmental focus on infrastructure development projects, which can adversely impact the volume of sales to our customers who are engaged in large infrastructure projects.

### *Telecommunication and Enameled Wires*

Sales of the Company’s telecommunication products in Thailand have depended to a significant degree on the substantial investment in and development of the telecommunications sector by the Thai government. In particular, the Company’s sales of products are affected by the value of contracts awarded by the government for telecommunications and other infrastructure projects.

The Company produces and sells copper core telecommunications cables, enameled copper wires and enameled aluminum wires in the Thai market and exports enameled wires to overseas markets. Sales of telecommunications cables, one of the Company’s leading products in Thailand, are conducted either by tender for participation in large scale telecommunications projects of the Telephone Organization of Thailand Corporation Plc. (“**TOT**”), or by sales directly to subcontractors of Triple T and True, the two private telephone line contractors licensed by TOT for particular projects. The Company generally sells enameled wires directly to electrical appliance manufacturers or to OEMs (original equipment manufacturers) for both the local and export markets, and in smaller units that are sold to local dealers.

### *Power*

In Thailand, the prevailing historical trend has been that economic growth stimulates rapid growth in the demand for electric power, and annual rates of growth in electricity demand outpace annual economic growth rates. Despite the rapid growth in electricity demand, electricity consumption in Thailand remains low by international standards. The Company believes that, in the medium to longer term, there will be an increased demand for power supply which should lead to increased demand for the Company's power cable products from both developers of power production facilities and contractors installing power supply lines.

### *Singapore*

The Company's distribution and project engineering business segments operate only in the Singapore market. In 2019, the Company realized \$7.6 million in revenues from SDI projects, compared to \$16.7 million in 2018 and \$21.4 million in 2017.

Future revenue is expected to mirror population and residential growth while the Company continues to seek alternative ways to increase business volume in its project engineering business segment.

### *China*

The economy of China differs from that of most developed free-market economies in a number of respects, including structure, degree of government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. In recent years, the PRC government has implemented economic reform measures which emphasize decentralization, expansion of consumption in the domestic market, residential and commercial real estate development, infrastructure development, utilization of market forces and the development of foreign investment projects of which Shanghai Yayang is an example.

## **C. ORGANIZATIONAL STRUCTURE**

Please refer to Business Overview in Item 4.B above.

## **D. PROPERTY, PLANTS AND EQUIPMENT**

The Company's manufactured products are produced at facilities located on premises owned or leased by Siam Pacific, Charoong Thai, Sigma Cable, APEC, Shanghai Yayang and PEWSC. The following is a summary of the Company's material facilities and operations.

Siam Pacific owns a 7.45 acre production facility near Bangkok, Thailand, located on a 26.79 acre site that it also owns. Telecommunications cables and enameled wires are manufactured at this facility. The production facility constitutes a portion of certain property and assets which are pledged to financial institutions.

Charoong Thai owns a 34 acre production facility in Chachoengsao province, near Bangkok, Thailand, where telecommunications cables and power cables are manufactured. The production facility is located on a 65 acre site which Charoong Thai also owns. Neither the production facility nor the land is mortgaged.

Sigma Cable produces power cables on a 19,373 square meter site in Singapore leased from the Jurong Town Corporation ("**JTC**") for 30 years from September 16, 2000 to September 16, 2030. JTC is a government-linked corporation and is Singapore's largest industrial landlord. Building assets are pledged to United Overseas Bank.

APEC owns a 6,735 square meter power cable manufacturing facility on a 39,000 square meter land parcel in Brisbane, Australia.

Shanghai Yayang ceased production by end of October of 2019 and has been restructured as a trading company, located in an area of approximately 27,839 square meters of state-owned land in an industrial district in Fengxian, Shanghai. The land and building are pledged to Industrial and Commercial Bank of China as security for a \$1.8 million bank loan.

PEWSC manufactures enameled wires in a facility on 36,000 square meters of state-owned land with a built-up area of 20,367 square meters in Long Gang, Shenzhen, China. A leasehold right of industrial land use for the land has been granted for 49 years. The land and building are pledged to Agricultural Bank of China as security for a \$1.1 million bank loan.

All of the Company's facilities in Thailand, Singapore, Australia and China use production processes and equipment imported from Europe, the United States, Taiwan, or Japan.

The production capacity and extent of utilization of the Company's facilities varies from time to time, and such information is considered to be commercially sensitive and proprietary information.

#### **4.5 Insurance**

The Company maintains insurance policies covering certain buildings, machinery and equipment against specified amounts of damage or loss caused by fire, flooding, other natural disasters and burglary and theft. The Company does not carry insurance for consequential loss arising from business interruptions or political disturbances and does not carry product liability insurance. In addition, the Company does not have business liability or disruption insurance for its operations in China and the Company does not have coverage for flood damage or business interruption for its operations in Thailand. Consequently, the amount of our insurance coverage may not be adequate to cover all potential claims or liabilities, and we may be forced to bear substantial costs resulting from the lack of adequate insurance. No assurance can be given that we will not incur losses beyond the limits or outside the scope of coverage of our insurance policies. Accordingly, we may be subject to an uninsured or under-insured loss in such situations.

#### **4.6 Environmental Regulations**

The Company is subject to a variety of laws and regulations covering the storage, handling, emission and discharge of materials into the environment. The Company believes that all of its operations are in material compliance with, and in certain circumstances exceed the requirements of, all applicable environmental laws and regulations. The Company has not been subjected to any material legal, regulatory or other action alleging violations or breaches of environmental standards.

#### **ITEM 4A: UNRESOLVED STAFF COMMENTS**

Not applicable

#### **ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following discussion should be read in conjunction with the information contained in our audited consolidated financial statements and notes thereto (the "Financial Statements") referenced in Item 18 of this Annual Report.

## 5.1 Disclosures of Critical Accounting Policies

Summarized below are our accounting policies that we believe are important to the presentation of our financial results and require us to make estimates about the effect of matters that are uncertain in nature. Actual results may differ from these estimates, judgments and assumptions. Certain accounting policies are particularly critical because of their significance to our reported financial results and the possibility that future events may differ significantly from the conditions and assumptions underlying the estimates used and judgments made by our management in preparing our financial statements. The following discussion should be read in conjunction with the consolidated financial statements and related notes, which are included in this annual report.

### *Impairment of non-financial assets*

At each reporting date or whenever events indicate that the asset's value has declined or significant changes in the market with an adverse effect have taken place, the Company assesses whether there is an indication that an asset in the scope of IAS 36 may be impaired. If any indication exists, the Company completes impairment testing for the cash generating unit ("CGU") to which the individual assets belong. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount of an individual asset or CGU is the higher of fair value less costs to sell and its value in use. The fair value less costs of disposal calculation is based on available data from binding sale arrangements, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposal of the assets. The value in use is measured at the net present value of the future cash flows the entity expects to derive from the asset or CGU. Cash flow projection involves subjective judgments and estimates which include the estimated useful lives of property, plant and equipment, capacity that generates future cash flows, capacity of physical output, potential fluctuations of economic cycle in the industry and the Company's operating situation. See Note 15 – Property, Plant and Equipment – of our consolidated financial statements presented herewith.

### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 11 of our consolidated financial statements presented herewith.

### *Measurement of ECL allowance for trade receivables*

The Company applies the IFRS 9 simplified approach to measure lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of the sales over a period of 36 month before December 31, 2019 and the historical credit loss experience within this period. The historical loss rates are adjusted to reflect current and forward-looking information on general economic conditions affecting the ability of customers to settle receivables. The Company has identified the default rate of the countries where it sells goods and services as the most relevant factor and adjusts the historical loss rates based on expected changes accordingly.

## *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the taxing authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the companies.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

### *Post-employment benefits under defined benefit plans*

In accordance with the Thailand labor law, Charoong Thai and its subsidiaries are obliged to make payment to retiring employees, at rate of 1 to 13 times of their monthly salary rate, depending on the length of service. In addition, Charoong Thai also has the extra benefit plan to make payment to qualified retiring employees at rates of 1 to 26 times of their final monthly salary.

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the inactive corporate bond trading in Thailand, taking into account the yields on Thai Government Bonds and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on most recent mortality investigation on policyholders of life insurance companies in Thailand. Future salary increases and pension increases are based on expected future inflation rates derived from external economic data, together with historical experience of Charoong Thai.

### *Revenue recognition of SDI projects*

Changes in percentage of completion result in changes in contract revenue and costs recognized in the statement of comprehensive income during the year. Significant estimation by management is also required in assessing the recoverability of contracts based on estimated total contract revenue and contract costs. In making such estimation, management's evaluation is based on the actual level of work performed and past experience.

## **5.2 Selected Operating Data**

This discussion should be read in conjunction with the information contained in our Consolidated Financial Statements referenced in Item 18 of this Annual Report.

Results are analyzed and reported along the lines of our three principal business segments, consisting of the North Asia region, the Thailand region, and the ROW region. Included in the summary table below are certain results within our 3 business segments with regard to net sales, operating profit and operating profit margin for the periods covered. The following table sets forth selected summary data for the periods indicated (dollar (\$) amounts in thousands of US\$).



During 2018, Management changed the presentation of the operating data line items, replacing gross profit and gross profit margin with operating profit (loss) and operating profit (loss) margin. This change is intended to provide readers of our financial statements with more relevant information and a better explanation of the elements of performance.

### 5.3 Operating Results

	<b>For the year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	(in thousands except for percentage)		
<b>Net Sales:</b>			
North Asia region	\$ 76,575	\$ 103,647	\$ 101,533
Thailand region	172,379	213,424	206,485
ROW region	89,206	108,869	117,197
Total	<u>\$ 338,160</u>	<u>\$ 425,940</u>	<u>\$ 425,215</u>
<b>Operating profit (loss):</b>			
North Asia region	\$ 1,237	\$ 5,234	\$ 3,256
Thailand region	3,042	9,539	11,053
ROW region	(1,659)	(2,306)	1,205
Corporate expenses & adjustments	(3,269)	(3,783)	1,101
Total operating profit (loss)	<u>\$ (649)</u>	<u>\$ 8,684</u>	<u>\$ 16,615</u>
<b>Operating profit (loss) margin:</b>			
North Asia region	1.62%	5.05%	3.21%
Thailand region	1.76%	4.47%	5.35%
ROW region	(1.86)%	(2.12)%	1.03%

The Company is 75.4% beneficially owned and controlled by PEWC, a Taiwanese company. The remaining 24.6% of the outstanding Common Shares are publicly-traded in the United States and listed on Nasdaq. Based upon a review of Schedule 13D and 13G filings made with the Commission by shareholders, and a review of the share register maintained by the Company's transfer agents in Bermuda and the U.S., the Company is not aware that it has any shareholders resident in the jurisdictions where the Company has business operations. While the Company's operations and results are impacted by economic, fiscal, monetary and political policies of the respective governments in the countries where the Company operates, that impact is not a function of the shareholder base of the Company.

### 5.3.1 Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

#### General

	For the Year Ended December 31,		Changes in \$	Changes in %
	2019	2018		
	(in thousands)			
Income Statement Data:				
Revenue	\$ 338,160	425,940	(87,780)	(20.6)
Costs of sales	(313,373)	(389,692)	76,319	19.6
Gross profit	24,787	36,248	(11,461)	(31.6)
Other operating income	385	805	(420)	(52.2)
Selling, general and administrative expenses	(25,051)	(26,924)	1,873	7.0
Other operating expenses	(770)	(1,445)	675	46.7
Operating profit	(649)	8,684	(9,333)	(107.5)
Finance costs	(1,012)	(1,378)	366	26.6
Finance income	506	482	24	5.0
Share of loss of associates	(3)	(3)	—	—
Exchange gain/(loss)	1,550	1,741	(191)	(11.0)
Other income	717	1,817	(1,100)	(60.5)
Other expense	(3)	(11)	8	72.7
Profit before tax	1,106	11,332	(10,226)	(90.2)
Income taxes expense	(2,057)	(3,886)	1,829	47.1
Profit for the year	(951)	7,446	(8,397)	(112.8)
Attributable to:				
Equity holders of the parent	(1,632)	2,928	(4,560)	(155.7)
Non-controlling interests	681	4,518	(3,837)	(84.9)

Results of operations are determined primarily by market demand and government infrastructure projects, market selling prices of our products, our ability to manufacture high quality products efficiently in quantities sufficient to meet demand and to control production and operating costs. Our results are also influenced by a number of factors, including currency stability in the countries in which our operations are located, competition and the cost of raw materials, especially copper, which accounted for the majority of our cost of sales in 2019 and 2018.

In order to minimize the impact of copper price fluctuations, we attempt to “peg” the prices of our products to the prevailing market price of copper and pass changes in the cost of copper through to customers as much as possible. In certain circumstances, however, we remain affected by fluctuations in the price of copper. A recent rise or decline in copper prices may not be fully reflected under this pricing scheme for several months.

Average copper prices per metric ton decreased by 7.97% from \$6,525 in 2018 to \$6,005 in 2019 (annual average).

Copper prices indicated in this report are quoted from the index published by the LME. The 2019 and 2018 copper prices were as follows:

		2019	2018
Average LME copper price (\$/Ton)	Q1	6,220	6,959
	Q2	6,114	6,872
	Q3	5,798	6,103
	Q4	5,888	6,168
	Year	6,005	6,525

The average copper price in March 2020 on the LME was \$5,179 per metric ton.

### *Revenue*

Total sales in the North Asia region decreased by \$27.1 million, or 26.1%, from \$103.6 million in 2018 to \$76.6 million in 2019. The decrease was attributable primarily due to the negative impact of the trade war between the United States and China.

Revenue from the Thailand region decreased by \$41.0 million, or 19.2%, from \$213.4 million in 2018 to \$172.4 million in 2019. The decrease was primarily due to the postponement of the delivery of products per the request of a major client.

Revenue decreased by \$19.7 million, or 18.1%, from \$108.9 million in 2018 to \$89.2 million in 2019 in the ROW region. The decrease was primarily due to intense competition.

### *Gross Profit*

While fluctuations in raw material acquisition are preferably placed upon the customer, limiting factors reduced the effects of this strategy and impacted Gross Profit. A decrease in average copper prices per metric ton of 7.97% plus the intense competition and market slowdown primarily due to the trade war between USA and China all led to the material change in Gross Profit of (31.6%) for 2019.

### *Operating (Loss)*

Operating (loss) for 2019 was \$(0.6) million, representing a decrease by \$9.3 million, or (107.5)% from operating profit \$8.7 million in 2018.

The operating profit margin of the North Asia region decreased from 5.05% in 2018 to 1.69% in 2019. The decrease was attributable primarily to a decrease in sales volume, which eroded the profit margin, and an increase in severance payments due to the restructure of Shanghai Yayang.

The operating profit margin of the Thailand region decreased from 4.47% in 2018 to 1.76% in 2019. The decrease was attributable primarily to the decrease in sales of higher margin products.

The operating loss margin of the ROW region decreased from (2.12)% in 2018 to (1.86)% in 2019. The decrease was attributable primarily to a decrease in selling price, margin erosion because of competition, as well as higher unit costs.

### *Finance Cost*

Our finance cost consists of interest on bank loans and borrowings. Interest cost decreased to \$1.0 million in 2019 compared to \$1.4 million in 2018. However, interest-bearing loans and borrowings decreased to \$11.3 million in 2019 compared to \$24.8 million in 2018 due to loan repayments made in 2019.

### *Finance Income*

The finance income consists of interest earned on bank deposits. Interest income remained consistent from \$0.5 million in 2018 to \$0.5 million in 2019.

### *Share of Loss of Associates*

The share of loss remained consistent in 2019 compared to that of 2018. This was primarily due to the loss that the Company recognized in accordance with its percentage ownership interest in Siam Pacific Holding Company.

### Exchange Gain/(Loss)

The exchange gain of 2019 was primarily contributed by the appreciation of Thai Baht. The exchange rates at December 31, 2019 and 2018 are listed below, based on the Noon Buying Rate. However, they do not actually reflect the ongoing rates during the year when transactions actually took place.

	As of December 31,	
	2019	2018
Foreign currency to US\$1:		
Thai Baht	29.75	32.31
Singapore \$	1.345	1.362
Australian \$	1.423	1.419
Chinese RMB	6.962	6.876

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10, from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

### Income taxes

Income tax expense was \$2.1 million in 2019 compared to \$3.9 million in 2018. The change was mainly due to the decrease of taxable income.

### 5.3.2 Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

	For the Year Ended December 31,		Changes in \$	Changes in %
	2018	2017		
	(in thousands)			
Income Statement Data:				
Revenue	\$ 425,940	\$ 425,215	725	0.2
Costs of sales	(389,692)	(385,527)	(4,165)	(1.1)
Gross profit	36,248	39,688	(3,440)	(8.7)
Other operating income	805	5,084	(4,279)	(84.2)
Selling, general & administrative expenses	(26,924)	(27,248)	324	1.2
Other operating expenses	(1,445)	(909)	(536)	(59.0)
Operating profit	8,684	16,615	(7,931)	(47.7)
Finance costs	(1,378)	(1,221)	(157)	(12.9)
Finance income	482	876	(394)	(45.0)
Share of loss of associates	(3)	(3)	—	—
Loss on liquidation of a subsidiary	—	(261)	261	100.0
Exchange gain/(loss)	1,741	2,784	(1,043)	(37.5)
Other income	1,817	214	1,603	749.1
Other expense	(11)	(336)	325	96.7
Profit before tax	11,332	18,668	(7,336)	(39.3)
Income taxes expense	(3,886)	(5,140)	1,254	24.4
Profit for the year	\$ 7,446	\$ 13,528	(6,082)	(45.0)
Profit attributable to APWC	2,928	8,720	(5,792)	(66.4)
Profit attributable to non-controlling interests	4,518	4,808	(290)	(6.0)

### *General*

Results of operations are determined primarily by market demand and government infrastructure projects, market selling prices of our products, our ability to manufacture high quality products efficiently in quantities sufficient to meet demand and to control production and operating costs. Our results are also influenced by a number of factors, including currency stability in the countries in which our operations are located, competition and the cost of raw materials, especially copper, which accounted for the majority of our cost of sales in 2018 and 2017.

In order to minimize the impact of copper price fluctuations, we attempt to “peg” the prices of our products to the prevailing market price of copper and pass changes in the cost of copper through to customers as much as possible. In certain circumstances, however, we remain affected by fluctuations in the price of copper. A recent rise or decline in copper prices may not be fully reflected under this pricing scheme for several months.

Average copper prices per metric ton increased by 5.87% from \$6,163 in 2017 to \$6,525 in 2018 (annual average).

Copper prices indicated in this report are quoted from the LME index. The 2018 and 2017 copper prices were as follows:

		2018	2017
Average LME copper price (\$/Ton)	Q1	6,959	5,834
	Q2	6,872	5,663
	Q3	6,103	6,347
	Q4	6,168	6,808
	Year	6,525	6,163

The average copper price in March 2019 on the LME was \$6,451 per metric ton.

### *Revenue*

Total sales in the North Asia region slightly increased by \$2.1 million, or 2.1%, from \$101.5 million in 2017 to \$103.6 million in 2018. The increase was attributable primarily to an increase in copper price.

Revenue from the Thailand region slightly increased by \$6.9 million from \$206.5 million in 2017 to \$213.4 million in 2018, or 3.4%. The increase was primarily because the appreciation of the Baht against the US dollar.

Revenue decreased by \$8.3 million, or 7.1%, from \$117.2 million in 2017 to \$108.9 million in 2018 in the ROW region. While increased product sales in APEC led to increased revenue of 7.7%, intense competition from Chinese imports decreased the revenue of Sigma Cable by 13.4%.

### *Gross Profit*

While fluctuations in raw material acquisition are preferably placed upon the customer, limiting factors reduced the effects of this strategy and impacted Gross Profit. An increase in average copper prices per metric ton of 5.87% caused Revenue to experience an increase of 0.2%. However, strong competition limited pricing flexibility as a mitigation measure for the copper price increase and the Company experienced an increased Cost of sales of (1.1%). The increases in both Revenue and Cost of sales led to the material change in Gross Profit of (8.7%) for 2018.

### *Operating Profit*

Operating profit for 2018 was \$8.7 million, representing a decrease by \$7.9 million, or (47.7)% from \$16.6 million in 2017.

The operating profit margin of the North Asia region increased from 3.21% in 2017 to 5.05% in 2018. The increase was attributable primarily to the decrease in the costs and expenses related to NPC.

The operating profit margin of the Thailand region slightly decreased from 5.35% in 2017 to 4.47% in 2018. The decrease was attributable primarily to the increase in sales of lower margin products, decrease in sales of higher margin products and increase in payroll expenses.

The operating profit margin of the ROW region decreased from 1.03% in 2017 to operating loss (2.12)% in 2018. The decrease was attributable primarily to the decrease in revenue.

#### *Finance Cost*

Our finance cost consists of interest on bank loans and borrowings. Interest cost increased to \$1.4 million in 2018 compared to \$1.2 million in 2017. However, interest-bearing loans and borrowings decreased to \$24.8 million in 2018 compared to \$41.1 million in 2017 due to the extinguishment of current liabilities at year end of 2018.

#### *Finance Income*

The finance income consists of interest earned on bank deposits. Interest income decreased by \$0.4 million, or 45.0%, from \$0.9 million in 2017 to \$0.5 million in 2018.

#### *Share of Loss of Associates*

The share of loss of an associate remained the same in 2018 compared to that of 2017. This was primarily due to the loss that the Company recognized in accordance with its percentage ownership interest in SPHC.

#### *Loss on liquidation of subsidiaries*

The Company incurred a total write-off of its interest in Sigma Epan, which amounted to \$0.3 million during 2017 due to the strike-off of Sigma Epan Industry.

#### *Exchange Gain/(Loss)*

The exchange rates at December 31, 2018 and 2017 are listed below, based on the Noon Buying Rate. However, they do not actually reflect the ongoing rates during the year when transactions actually took place.

	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
Foreign currency to US\$1:		
Thai Baht	32.31	32.56
Singapore \$	1.362	1.336
Australian \$	1.419	1.280
Chinese RMB	6.876	6.506

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10, from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

#### *Income taxes*

Income tax expense was \$3.9 million in 2018 compared to \$5.1 million in 2017. The change was mainly due to the decrease of the income before income tax.

## 5.4 Liquidity and Capital Resources

As of December 31, 2019, we had \$53.7 million in cash and cash equivalents, primarily in bank accounts and cash on hand. Our current sources of cash are our cash on hand, cash generated by our operations and our credit facilities. Our liquidity is primarily utilized for the purchase and replacement of property, plant and equipment, future acquisitions and expenditures for ongoing operations.

We maintain several working capital and overdraft credit facilities with various commercial bank groups and financial institutions. Under our line of credit arrangements for short-term debt with our banks, we may borrow up to approximately \$287.0 million, including letters of credit for commodity purchases, on such terms as we and the banks mutually agreed upon. These arrangements do not have termination dates but are reviewed annually for renewal. As of December 31, 2019, the unused portion of the credit lines was approximately \$207.9 million. Letters of credit are issued on our behalf in the ordinary course of business by our banks as required by certain supplier contracts. As of December 31, 2019, the Company had obligations in respect of amounts callable under issued, but undrawn, letters of credit totaling \$15.2 million. Liabilities relating to the letters of credit are included in current liabilities. There is no seasonality to the Company's borrowing.

We have no direct business operations other than our ownership of the capital stock of our subsidiaries and equity investees. As a holding company, the Company's ability to pay dividends, as well as to meet its other obligations, depends upon the amount of distributions, if any, received from the Company's operating subsidiaries and other holdings and investments. Consequently, our subsidiaries have been and will continue to be our primary source of funds. Of the \$53.7 million in cash and cash equivalents that we had on hand as of December 31, 2019, \$1.3 million was held at the holding company, and the remainder was held by subsidiaries. All of the approximately \$287.0 million of our credit lines are at the subsidiary level; the holding company does not have any credit lines. Corporate needs (including holding company needs) are funded primarily by distributions from our subsidiaries. We rely upon distributions of dividends from our subsidiaries in order to pay dividends declared by our Board of Directors. Our operating subsidiaries and other holdings and investments, from time to time, may be subject to restrictions on their ability to make distributions to us, including, but not limited to, as a result of restrictive covenants contained in our loan agreements, restrictions on the conversion of local currency earnings into U.S. dollars or other currency, and other regulatory restrictions. For example, PRC legal restrictions permit payments of dividends by our business entities in the PRC only out of their retained earnings, if any, determined in accordance with relevant PRC accounting standards and regulations. Under PRC law, such entities are also required to set aside a portion of their net income each year to fund certain reserve funds. These reserves are not distributable as cash dividends. The foregoing restrictions may also affect our ability to fund operations of one subsidiary with dividends and other payments received from another subsidiary. Distributions may also be limited from time to time by reason of restrictions protective of the rights of minority shareholders of our subsidiaries and by reason of the current cash requirements of the operating subsidiaries. Consequently, we periodically need to manage our corporate cash needs to align with the permitted timing of distributions.

Net cash provided by operating activities in the year ended December 31, 2019 was \$15.1 million, as compared to \$40.6 million of net cash provided in operating activities in the year ended December 31, 2018. The decrease in cash generated from operations was primarily due to decrease in sales.

Net cash provided by operating activities in the year ended December 31, 2018 was \$40.6 million, as compared to \$16.9 million of net cash used in operating activities in the year ended December 31, 2017. The increase in cash generated from operations was primarily due to decrease in inventory and accounts receivable, which was related to the increased revenue in late 2018.

Days of sales outstanding ("DSO") is a measure of the average collection period of accounts receivable, and although the calculation is influenced by the period used and the timing of sales within that period, it can provide insight into the variances in collections from period to period. Our days of sales outstanding for 2019 was 83 days, as compared to 82 days for 2018. We have in place policies across the Company that emphasize the importance of continuous focus on collection efforts.

In 2019, cash used in investing activities was \$6.4 million compared to \$4.8 million used in investing activities in 2018. The increase in net cash used in investing activities was primarily attributable to increased purchase in property, plant and equipment.

In 2018, cash used in investing activities was \$4.8 million compared to \$3.4 million provided by investing activities in 2017. The decrease in net cash provided by investing activities was primarily attributable to the proceeds from disposal of equipment of our Ningbo Pacific Cable Co. Ltd. subsidiary (“NPC”) in 2017.

Net cash used in financing activities was \$17.9 million in 2019. In 2019, net cash used in financing activities reflected primarily the repayment of borrowings.

Net cash used in financing activities was \$19.6 million in 2018. In 2018, net cash used in financing activities reflected primarily the repayment of borrowings.

We believe funds generated by our operating activities, our cash on hand and amounts available to us under our credit facilities will provide adequate cash to fund our requirements through at least the next twelve months. We believe that we have sufficient liquidity to meet our anticipated working capital, capital expenditures, general corporate requirements, and other short-term and long-term obligations as they come due. We may enhance our liquidity by way of one or more debt and/or equity financings (including by engaging in debt and/or equity financings with our principal shareholder).

### **5.5 Research and Development**

The Company does not currently engage in its own research and development. Under the Composite Services Agreement with PEWC described herein, the Company benefits from research and development conducted by PEWC at little or no cost to the Company. Accordingly, the Company has not made material expenditures on or commitments to research and development since formation.

### **5.6 Trend Information**

We are not aware of any trend, commitment, event or uncertainty that can reasonably be expected to have a material effect on our current or future business other than the following, each of which has materially impacted our financial results in the past and may do so in the future:

- *Uncertainty arising from the volatility in the cost of copper, our principal raw material.* In 2019, the copper price went down from \$6,525 (yearly average for 2018) per metric ton to \$6,005 per metric ton (yearly average for 2019). Under our business model, the Company, like other companies in the industry, remains subject to movements in the price of copper, our principal raw material.
- *Fluctuations in the demand for our products in the markets in which we do business,* based upon variations in the level of governmental and private investments in communications, power and industrial projects and programs that utilize our products. We are not an end-user of our products and, therefore, we depend upon the requirements of our customers to generate sales.

See “Quantitative and Qualitative Disclosures About Market Risks.”

### **5.7 Off-Balance Sheet Arrangements**

The Company has not entered into any transactions with unconsolidated entities whereby the Company has financial guarantees, subordinated retained interests, derivative instruments, or other contingent arrangements that expose the Company to material continuing risks, contingent liabilities, or any other obligation in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to the Company.



## 5.8 Contractual Obligations

The following table sets forth the Company's contractual obligations as of December 31, 2019:

Contractual obligations (In thousands of US\$)	Payments due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
Bank loans and overdrafts	\$ 11,356	11,356	—	—
Lease obligations (principal amount only)	2,828	574	1,169	1,085
Finance charges on lease obligations	364	82	185	97
Operating lease obligations	12	11	1	—
Capital commitment relating to installation of equipment and acquisition of machinery	5,817	5,817	—	—
Capital commitment relating to repair and maintenance consulting service	348	348	—	—
Purchase obligations for copper cathodes	290,371	290,371	—	—
	<u>\$ 311,096</u>	<u>308,559</u>	<u>1,355</u>	<u>1,182</u>

The contractual obligation for the purchase of copper cathodes disclosed in the table above reflects the minimum purchase commitment. For more details on financial commitments and contingencies, please refer to our audited consolidated financial statements and the notes thereto referenced in Item 18: "Financial Statements".

## 5.9 Safe Harbor

Please see the section of this report entitled "Cautionary Statement Regarding Forward-Looking Statements"

## ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### 6.1 Directors and Senior Management

There is only one class of directorships and no one or more directors possess any veto power over matters presented to the Board or any other special or enhanced voting rights. The Bye-Laws provide that a quorum consists of a majority of the directors then in office. As of December 31, 2019, there were a total of nine (9) directors on the Board, including three independent directors, Mr. Anson Chan, Dr. Yichin Lee, and Dr. Lambert Ding. By a resolution passed at the Company's most recent annual general meeting of shareholders (the "2019 AGM") held on August 30, 2019, the shareholders determined that the minimum number of directors shall be fixed at two (2) and the maximum number of directors be fixed at nine (9). Each director is entitled to one vote, and approval of any matter requires a simple majority assuming a quorum is present. The following table sets forth certain information concerning the current directors and certain other officers of the Company. All directors are subject to annual election by the shareholders of the Company. Each of the directors was reelected at the Company's 2019 AGM. Officers generally hold office for such period and upon such terms as the Board may determine.

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>
<i>Ocorian Services (Bermuda) Limited.</i>	<i>N/A</i>	<i>Assistant Resident Secretary</i>
<i>Anson Chan</i>	<i>November 3, 1963</i>	<i>Independent director, Audit Committee Chairman</i>
<i>Andy C.C. Cheng</i>	<i>April 29, 1958</i>	<i>Director and Non-Executive Chairman of the Board</i>
<i>Fang Hsiung Cheng</i>	<i>May 31, 1942</i>	<i>Director</i>
<i>Daphne Hsu</i>	<i>August 12, 1962</i>	<i>Financial Controller</i>
<i>Lambert L. Ding</i>	<i>October 12, 1959</i>	<i>Independent director, Audit Committee Member</i>
<i>Michael C. Lee</i>	<i>September 28, 1951</i>	<i>Director</i>
<i>Yichin Lee</i>	<i>January 4, 1961</i>	<i>Independent director, Audit Committee Member</i>
<i>Alex Chen</i>	<i>December 30, 1957</i>	<i>Director</i>
<i>David Sun</i>	<i>December 22, 1953</i>	<i>Director</i>

*Yuan Chun Tang*  
*William Gong Wei*  
*Ivan Hsia*

*November 26, 1960*    *Director, Chief Executive Officer*  
*October 31, 1961*    *Chief Operating Officer*  
*August 14, 1973*    *Chief Financial Officer*

Certain officers and directors of the Company are or were also officers or directors of PEWC and/or PEWC affiliates, as described below. A brief professional summary for each member of the Board of Directors and senior management is as follows:

Mr. Anson Chan has been an independent member of the Company's Board of Directors and a member and Chairman of the Audit Committee and compensation committee since 2007. Mr. Chan is also a Managing Director of the Bonds Group of Companies and was a Senior Advisor to Elliott Associates from 2005 to 2008.

Mr. Andy C.C. Cheng was a member of the Company's Board of Directors from 2004 to 2005 and was re-elected in 2007. Mr. Cheng was appointed as Chairman of the Board in 2009. From 1987 to 2003, Mr. Cheng served as Vice President in charge of procurement at PEWC. Mr. Cheng has been an Executive Vice President at PEWC since 2004 and Chairman of each of the investment divisions of PEWC, Tai Ho Investment Co., Ltd. and You Chi Investment Co., Ltd., since June 2008. Mr. Andy C.C. Cheng is not related to Mr. Fang Hsiung Cheng. Mr. Cheng currently is also a member of PEWC's Board of Directors.

Mr. Fang Hsiung Cheng has been a member of the Company's Board of Directors since 2006. He also serves as Assistant Vice President of PEWC. Mr. Fang Hsiung Cheng is not related to Mr. Andy C.C. Cheng.

Ms. Daphne Hsu has been Financial Controller of the Company since March 2005, prior to which she served as Financial Controller for ten years in Taiwan and China at a Thomson SA joint venture.

Dr. Lambert Ding was appointed March 17, 2011 as an independent member of the Board of Directors. Dr. Ding is the president and CEO of Union Environmental Engineering Services and before that, he was an associate professor at Yuan Ze University. Dr. Ding holds a Doctor of Philosophy degree from the University of Southern California, awarded in 1989. He is also a Registered Environment Assessor and holds several patents. Dr. Ding serves as a member of the audit committee and compensation committee.

Mr. Michael C. Lee has been a member of the Company's Board of Directors since 2004 and is also Chief Executive Officer of PEWC and Chairman of Pacific USA Holdings, Ltd. Mr. Michael C. Lee is not related to Dr. Yichin Lee. Mr. Lee currently is also a member of PEWC's Board of Directors.

Dr. Yichin Lee has been an independent member of the Company's Board of Directors and served on the Audit Committee since 2007. He is also a member of the compensation committee. Dr. Lee is the Managing Director of FCC partners. Dr. Yichin Lee holds a doctorate degree in Resource Planning and Management from Stanford University. Dr. Yichin Lee is not related to Mr. Michael C. Lee.

Mr. Alex Chen has been a member of the Company's Board of Directors since 2015. He also served as Chief Marketing Officer of APWC from July 1, 2015 until December 31, 2019. Mr. Chen was first assigned to PEWC as Engineer, Assistant to General Manager, and later Manager of Quality Assurance Department from 1983 to 2008. He was appointed as Managing Director of Siam Pacific Electric Wire & Cable Co. Ltd. in Thailand from 2008 to 2015. Mr. Chen also serves as Vice President and General Division Manager of the General Sales Division of PEWC, and as a Director of the Taiwan Electric Research & Testing Center.

Mr. David Sun has been a member of the Company's Board of Directors since 2007. He also serves as President of PEWC and Managing Director of Charoong Thai Wire and Cable Public Company Limited.

Mr. Yuan Chun Tang has been a member of the Company's Board of Directors since 2004 and Chief Executive Officer since 2005. Mr. Yuan served as the Company's Chairman from 2005 to 2009. He has also served as Chairman of PEWC since 2004 and has been the Director of Pacific Construction Corp. Ltd since 2002. Mr. Yuan served as the Director of the Taiwan Co-generation Corp. from 2005 to 2008. Mr. Yuan has also been the Chairman of the Taiwan Electric Wire & Cable Industries Association since 2004. He has served as the Supervisor to the Taipei Importers/Exporters Association as well as the Director of Chinese National Federation of Industries in Taiwan since 1998 and 2004, respectively.

Mr. William Gong Wei was appointed Chief Operating Officer effective April 1, 2013. He was first assigned to Charoong Thai Wire and Cable Pte. Co. Ltd. as Engineer, Assistant Plant Manager, and later consultant to the high voltage cable division from 1991 to 2000. Thereafter, Mr. Gong Wei left Charoong Thai to pursue other professional activities until he rejoined the Company in 2009. In April 2009 he was appointed as General Manager of Sigma Cable in Singapore. Mr. Gong Wei holds a master's degree from the Asian Institute of Technology in Bangkok, Thailand.

Mr. Ivan Hsia was appointed as Chief Financial Officer effective August 1, 2013. Mr. Hsia previously served as the Deputy CFO of the Company. Prior to that, he served as the Senior Internal Audit Manager of the Company. Before joining APWC, Mr. Hsia was the head of internal audit at Newegg.com in Los Angeles, CA, USA.

The Company's Common Shares currently trade on the Global Markets tier of Nasdaq. Notwithstanding that, the Board of Directors is not composed of a majority of independent directors. The Company is relying upon the "controlled company exemption" that is available to issuers under the rules of Nasdaq. In effect, the "controlled company exemption" provides that an issuer is not required to have its Board of Directors consist of a majority of independent directors if a shareholder, or two or more shareholders who constitute a group, have beneficial ownership of more than 50% of the issued and outstanding voting securities of the issuer. PEWC owns and controls, directly or indirectly, 75.4% of the issued and outstanding Common Shares of the Company.

No service contract exists between any officers or directors sitting on the Board and the Company or any of its subsidiaries providing for benefits upon termination of employment.

The Company has no arrangements or understandings with any major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management.

## **6.2 Audit Committee**

The Audit Committee of the Board of Directors primarily functions to assist the Board in its oversight of: (i) the reliability and integrity of accounting policies and financial reporting and disclosure practices and (ii) the establishment and maintenance of processes to ensure that there is compliance with all applicable laws, regulations and company policy and an adequate system of internal control, management of business risks and safeguard of assets.

The Audit Committee is composed of Mr. Anson Chan, Dr. Yichin Lee and Dr. Lambert Ding, with Mr. Chan serving as the chairman of the Audit Committee.

The Audit Committee, as currently constituted, complies with the requirements of Regulation 10A-3 of the Exchange Act and the corporate governance requirements of Nasdaq.

### **6.3 Compensation Committee**

The Compensation Committee primarily functions to assist the Company in determining the compensation to be paid to the executive directors and certain members of the senior management of the Company. According to the charter under which it operates, the Compensation Committee is authorized to: (i) review and recommend to the Board, or determine, the annual salary, bonus, stock options, and other benefits, direct and indirect, of the senior management of the Company and its principal operating subsidiaries; (ii) review new executive compensation programs, review on a periodic basis the operations of the Company's executive compensation programs to determine whether they are properly coordinated, establish and periodically review policies for the administration of executive compensation programs, and take steps to modify any executive compensation programs that yield payments and benefits that are not reasonably related to executive performance; (iii) engage outside auditors and consultants to advise on market compensation; and (iv) establish and periodically review policies in the area of management perquisites.

The Compensation Committee is comprised of three independent directors, Mr. Anson Chan, Dr. Yichin Lee, and Dr. Lambert Ding. In addition, Mr. Andy Cheng and Mr. Yuan Chun Tang, the Company's Chairman and Chief Executive Officer, respectively, serve in a non-voting advisory capacity to the Compensation Committee.

### **6.4 Compensation**

The aggregate amount of compensation paid by the Company to all of the Company's directors and executive officers, as a group, for services in all capacities during 2019 was approximately \$1.7 million. As of March 31, 2020, our directors and executive officers beneficially owned approximately 101,000 Common Shares representing approximately 0.7% of the issued and outstanding Common Shares. The annual compensation of its executive officers and directors on an individual basis is not a disclosure item under the laws and regulations applicable to the Company.

In 2019, the fee payable to each independent director was \$30,000 per year, together with, in each case, reimbursement of reasonable travel expenses for attendance at meetings of the Board of Directors or any of its committees. Director fees of 2019 for six directors who held positions at PEWC group this year was rescinded.

No funds or provisions have been set aside for providing compensation to directors or management except for government mandated programs.

### **6.5 Employees**

The Company employed a total of 1,227 employees as of December 31, 2019, of which about 14.2% were administrative and management personnel. Approximately 65.7% of employees were located in the Thailand region, 18.3% in the North Asia region and 16.0% in the ROW region. Production workers are usually organized into two 12-hour shifts or three 8-hour shifts to allow continuous factory operations.

The Company offers a range of employee benefits, which it believes are comparable to industry practice in its local markets. Such benefits include performance-based pay incentives, medical benefits, vacation, pension, housing for a small number of workers in Singapore and in Thailand, and a small housing supplement to other workers. The Company also provides training programs for its personnel designated to improve worker productivity and occupational safety.

Presently, there is no group bonus, profit-sharing or stock option plan. However, some of the Company's subsidiaries have bonus or profit-sharing plans based on individual performance and the profitability of the particular subsidiary for the fiscal year, which plans are generally in accordance with the industry practice and market conditions in the respective countries.

The Company has several defined benefit and defined contribution plans covering its employees in Thailand, Australia, the PRC and Singapore. Additionally, the Company has as defined benefit plan in accordance with Thailand labor law. In its Thai subsidiaries, the Company also pay a retiring employee from one to twenty-six times such employee's salary rate during his or her final month, depending on the length of service. During 2019, the Company's total expenses under this labor law were \$0.9 million. These plans are not funded and the amount is recognized and included in Employee Benefit Liabilities in the Company's balance sheet. The Company settles its obligations as and when employees retire. The accumulated benefit obligations under this plan amounted to \$11.7 million as at December 31, 2019.

Approximately 19% of the employees of Sigma Cable are members of the United Workers of Electronics & Electrical Industries, an employees' union in Singapore. Under the terms of a collective agreement signed in June 2003, the Company is required to negotiate salary and wage increases yearly. All other worker benefits and employment terms are included in the collective agreement. The Company believes that approximately 100% and 90.63% of the employees of PEWS and Shanghai Yayang, respectively, are members of their respective Company Workers' Unions. These unions generally operate in accordance with related labor regulations in China. Approximately 15% of the employees of APEC are members of the Australian Workers' Union. None of the employees of the other operating subsidiaries of the Company are members of a union.

The Company has never experienced a strike or other disruption due to labor disputes. The Company considers its employee relations to be satisfactory and has not experienced difficulties attracting and retaining qualified employees.

## ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### 7.1 Major Shareholders

A total of 11,100 Common Shares are now issued but not outstanding and are booked as treasury shares. On August 21, 2015, PEWC and Moon View Ventures Limited, a BVI company and wholly-owned subsidiary of PEWC, acquired 1,355,415 Common Shares that were held indirectly by a private equity investor group. In connection with the sale of those Common Shares, the parties terminated an Amended and Restated Shareholders' Agreement, which termination benefited the Company by reason of the elimination of certain U.S. tax indemnification obligations of the Company (and PEWC) in favor of the private equity investor, and the termination of the Company's obligation to maintain effective a shelf registration statement on Form F-3, covering the Common Shares held by the private equity investor. As a result of that transaction, PEWC held, and it continues to hold, approximately 75.4% of the issued and outstanding Common Shares. The remaining approximately 24.6% of the issued and outstanding Common Shares are presently publicly traded in the U.S. and are currently listed on the Nasdaq Global Markets tier under the trading symbol "APWC".

The following table sets forth certain information regarding beneficial ownership of the Company's Common Shares as of March 31, 2020 by (i) all persons who are known to the Company to own beneficially more than five percent of the Common Shares of the Company and (ii) the officers and directors of the Company as a group. The information set forth in the following table is derived from public filings made by holders and information obtained from directors and officers. The voting rights attaching to the Common Shares below are the same as those attaching to all other Common Shares.

<u>Identity of Person or Group</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Pacific Electric Wire & Cable Co., Ltd.(1)	10,430,769	75.417%
LONSIN Capital Limited	714,170	5.170%
Directors and Officers of the Company	98,954	0.716%

- (1) PEWC owns 1,410,739 shares directly and owns its remaining shares indirectly, as a result of PEWC's control of its direct wholly-owned subsidiary, Moon View Ventures Limited, a BVI company, which beneficially owns 7,661,235 Common Shares, and as a result of PEWC's control of its indirect wholly-owned subsidiary, Pacific Holdings Group, a Nevada corporation, which beneficially owns 1,358,795 Common Shares.

The Company has 6,166,154 Common Shares that were registered, of which 3,388,900 Common Shares are publicly-traded on the Nasdaq Global Market tier, which represents approximately 24.6% of the issued and outstanding Common Shares. With regard to the remaining 2,777,254 such Common Shares, 2,766,154 Common Shares are held by PEWC and its subsidiaries, and 11,100 Common Shares are held by the Company in treasury, and all of those shares are subject to trading restrictions under Rule 144 promulgated under the U.S. Securities Act of 1933. Other than (i) the approximately 98,954 Common Shares held by directors or officers who are not resident in the United States, (ii) the 2,766,154 registered securities held indirectly by PEWC and (iii) the 714,170 Common Shares reported to be held beneficially by Lonsin Capital Limited, a company organized under the laws of the United Kingdom (“Lonsin”), and by two of its managers who reportedly control managed accounts of customers of Lonsin, the Company believes that substantially all of its registered securities are held by U.S. residents (other than the 11,100 Common Shares held by the Company in treasury). The Company has no means to definitively confirm that belief, which is based upon a review of the share registers maintained by the Company’s Bermuda transfer agent and U.S. transfer agent and the addresses provided by the record holders. Based upon a review of the records of the Company’s U.S. transfer agent, including a list of non-objecting beneficial holders (“NOBOs”), the Company believes there are substantially more than 400 beneficial holders that are resident in the United States, although that constitutes only the Company’s best estimate of the number of U.S. beneficial holders.

## **7.2 Related Party Transactions**

The Company incurs ordinary course trade payables with PEWC in connection with copper purchases under the Composite Services Agreement and the sale by the Company of Distributed Products that are manufactured by PEWC.

As of December 31, 2019 the Company, including its subsidiaries, had a net principal balance outstanding of \$1.9 million borrowed from PEWC and subsidiaries of PEWC. This short-term indebtedness is payable on a demand basis and does not accrue interest.

The Company used the proceeds from each of the related party loans described above for working capital and purchases of capital equipment. The terms of borrowing by APWC or any of its subsidiaries from PEWC are on terms at least as favorable than terms available in arms-length transactions with unaffiliated parties.

Under the terms of the Composite Services Agreement, APWC pays a management fee to PEWC in connection with the secondment, or temporary assignment and relocation, of certain PEWC managers to APWC facilities in Thailand and China. The assigned managers assist APWC in implementing the results of certain research and development conducted by PEWC and made available by PEWC to the Company under the terms of the Composite Services Agreement. The assigned managers also assist APWC in the procurement of raw materials, primarily copper, which is also provided for under the Composite Services Agreement. The amount of such annual management fee was approximately \$199 thousand in 2019.

From time to time we have engaged in a variety of transactions with our affiliates. We generally conduct transactions with our affiliates on an arm’s-length basis. The sales and purchase prices with related parties are determined through negotiation, generally based on the quoted copper price on the LME plus a certain premium.

Additional details regarding related party balances as of December 31, 2019 and related party transactions, including copper purchases from PEWC, are disclosed in our audited consolidated financial statements referenced in Item 18: Financial Statements. Please refer to Note 24 of our consolidated financial statements presented herewith.

## **ITEM 8: FINANCIAL INFORMATION**

### **A. Consolidated Statements and Other Financial Information**

#### **8.1 Consolidated Statements**

See Item 18: Financial Statements

#### **8.2 Legal Proceedings**

There are currently no material proceedings in which any director, senior manager, or affiliate is adverse to the Company or has an adverse material interest. There are no actual or pending legal proceedings to which the Company is, or is likely to become, a party which may reasonably be expected to have, or have had in the recent past, a material effect on the Company's condition (financial or otherwise) or results of operations.

#### **8.3 Dividend Policy**

In November 2016, the Company announced that its Board of Directors had approved the implementation of a dividend policy as part of the Company's ongoing commitment to increasing shareholder value and return on investment. The goal of the dividend policy is to pay cash dividends of at least 25% of the Company's net post-tax audited consolidated profits attributable to shareholders to be paid on an annual basis in cash, if and when available for distribution. In accordance with its dividend policy, on November 30, 2018, the Company paid a cash dividend to shareholders of record as of September 14, 2018 in the amount of \$0.08 per Common Share. In December 2019, the Company's Board of Directors determined not to pay a dividend for 2019 given that the Company had funding requirements and unsatisfied business performance.

As a holding company, the Company's ability to pay dividends, as well as to meet its other obligations, depends upon the amount of distributions, if any, received from the Company's operating subsidiaries and other holdings and investments. The Company's operating subsidiaries and other holdings and investments, from time to time, may be subject to restrictions on their ability to make distributions to the Company. Those restrictions may also affect the Company's ability to fund operations of one subsidiary with dividends and other payments received from another subsidiary.

In addition, the ability of the Company's operating subsidiaries to make distributions to APWC will depend upon a number of factors, including operating results, capital requirements, expansion plans, business prospects, obligations in respect of non-recurring items, debt covenants and other factors that may arise from time to time. The Company cannot provide any unconditional assurances to holders of Common Shares with regard to the Company's ability to pay further dividends in accordance with the Company's dividend policy.

### **B. Significant Changes**

Please see Note 29 (Subsequent Events) to the consolidated financial statements referenced in Item 18 hereof for information on recent material events, which Note contains information regarding recent development in respect of the risk of the delisting of our Common Shares from Nasdaq and in respect of the material adverse effects of COVID-19 on the Company, its business, operations, financial condition, employees and customers. There have been no material or significant changes in the Company's affairs since the end of the fiscal year ended December 31, 2019 that have not been described herein or in such Note 29.

## **ITEM 9: THE OFFER AND LISTING**

### **9.1 Markets**

The Company's Common Shares currently trade on Nasdaq Global Markets tier under the symbol "APWC". The Common Shares are not listed on any other exchanges or otherwise publicly traded within or outside the United States.

## **ITEM 10: ADDITIONAL INFORMATION**

### **10.1 Share Capital**

As of December 31, 2019, and as of the date of the filing of this Annual Report, there were and there are 13,830,769 Common Shares issued, with 13,819,669 Common Shares issued and outstanding and 11,100 Common Shares held in Treasury. No capital of the Company is under option or agreed conditionally or unconditionally to be put under option. The Company does not have any classes of capital stock other than its Common Shares.

### **10.2 Memorandum of Association and Bye-Laws**

#### **10.2.1 General**

For a detailed description of the Company's principal activities, see Section 4.1: "History and Development of the Business." Pursuant to the Company's Bye-Laws the Board of Directors consists of a single class of directors, each director has one vote on all matters put to the Board, and a quorum consists of a majority of the members of the Board of Directors then in office.

#### **10.2.2 Description of Shareholder Rights Attaching to Our Common Shares**

The Company was incorporated in Bermuda on September 19, 1996 under the Companies Act. The rights of our shareholders are governed by Bermuda law and our memorandum of association and Bye-Laws.

Our authorized share capital as of December 31, 2019 was \$500,000 consisting of 50,000,000 Common Shares, par value \$0.01 per share, of which, as of December 31, 2019, and as of the date of the filing of this Annual Report, there were and are 13,830,769 Common Shares issued of which 13,819,669 Common Shares are outstanding and eligible to vote. There are 11,100 Common Shares that are issued (but not outstanding and not currently eligible to vote) and held as treasury shares by the Company.

- Holders of the Common Shares have no preemptive, redemption, conversion or sinking fund rights.
- Holders of the Common Shares are entitled to one vote per share on all matters submitted to a poll vote of holders of Common Shares and do not have any cumulative voting rights.
- In the event of our liquidation, dissolution or winding-up and subject to any alternative resolution that may be pursued by our shareholders, the holders of Common Shares are entitled to share ratably in our assets, if any, remaining after the payment of all our debts and liabilities.
- Our outstanding Common Shares are fully paid and non-assessable.
- Additional authorized but unissued Common Shares, and issued shares held in treasury, may be issued or conveyed by the Board without the approval of the shareholders.

The holders of Common Shares will receive such dividends, if any, as may be declared by the Board of Directors out of funds legally available for such purposes. We may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- we are, or after the payment would be, unable to pay our liabilities as they become due; or
- the realizable value of our assets after such payment or distribution would be less than the aggregate amount of our liabilities.

The following is a summary of provisions of Bermuda law and our organizational documents, including our memorandum of association and Bye-Laws. We refer you to our memorandum of association and our Bye-Laws, copies of which have been filed with the SEC. You are urged to read these documents in their entirety for a complete understanding of the terms thereof.



### **10.2.3 Share Capital**

Our authorized capital consists of one class of Common Shares. Under our Bye-Laws, our Board of Directors has the power to issue any authorized and unissued shares on such terms and conditions as it may determine. Any shares or class of shares may be issued with such preferred, deferred, qualified or other special rights or any restrictions with regard to such matters, whether in regard to dividend, voting, return of capital or otherwise, as we may from time to time by resolution of the shareholders prescribe, or in the absence of such shareholder direction, as the Board of Directors may determine. This provision in the Bye-Laws could be used to prevent a takeover attempt, or to make a takeover attempt prohibitively expensive, and thereby preclude shareholders from realizing a potential premium over the market value of their shares.

### **10.2.4 Voting Rights**

Generally, under Bermuda law and our Bye-Laws, questions brought before a general meeting are decided by a simple majority vote of shareholders present or represented by proxy, with no provision for cumulative voting. Matters will be decided by votes cast by way of voting cards, proxy cards or a show of hands unless a poll is demanded.

If a poll is demanded, each shareholder who is entitled to vote and who is present in person or by proxy has one vote for each Common Share entitled to vote on such question. A poll may only be demanded under the Bye-Laws by:

- the chairman of the meeting;
- at least three shareholders present in person or represented by proxy;
- any shareholder or shareholders present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all shareholders having voting rights; or
- a shareholder or shareholders present in person or represented by proxy holding Common Shares conferring the right to vote on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Common Shares.

Unless the Board of Directors otherwise determines, no shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable by that shareholder in respect of all shares held by such shareholder have been paid.

### **10.2.5 Dividend Rights**

Under Bermuda law, a company may declare and pay dividends unless there are reasonable grounds for believing that the company is, or would, after the payment, be unable to pay its liabilities as they become due or that the realizable value of the company's assets would thereby be less than its liabilities.

Under our Bye-Laws, the Board may from time to time declare dividends or distributions out of contributed surplus to be paid to the shareholders according to their rights and interests. With the sanction of a shareholders resolution, the Board of Directors may determine that any dividend may be paid by distribution of specific assets, including paid-up shares or debentures of any other company. The Board of Directors may also pay any fixed cash dividend which is payable on any of our Common Shares half-yearly or on other dates, whenever our position, in the opinion of the Board of Directors, justifies such payment.

Dividends, if any, on our Common Shares will be at the discretion of our Board of Directors, and will depend on our future operations and earnings, capital requirements, surplus and general financial condition as our Board of Directors may deem relevant.

### **10.2.6 Purchases by the Company of its own Common Shares**

Under Bermuda law and as authorized by the Company's memorandum of association, we may purchase our own Common Shares out of the capital paid up on the Common Shares in question or out of funds that would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Common Shares made for the purposes of the purchase. We may not purchase our Common Shares if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

However, to the extent that any premium is payable on the purchase, the premium must be provided out of the funds of the Company that would otherwise be available for dividend or distribution or out of the Company's share premium account.

### **10.2.7 Preemptive Rights**

Our Bye-Laws generally do not provide the holders of our Common Shares preemptive rights in relation to any issues of Common Shares by us or any transfer of our shares.

### **10.2.8 Variation of Rights**

We may issue more than one class of shares and more than one series of shares in each class. The rights attached to any class of shares may be altered or abrogated either:

- with the consent in writing of the holders of more than fifty percent of the issued shares of that class; or
- pursuant to a resolution of the holders of such shares.

The Bye-Laws provide that the necessary quorum shall be two or more shareholders present in person or by proxy holding a majority of shares of the relevant class in issue and entitled to vote. The Bye-Laws specify that the creation or issuance of shares ranking *pari passu* with existing shares will not, subject to any statement to the contrary in the terms of issuance of those shares or rights attached to those shares, vary the special rights attached to existing shares.

### **10.2.9 Transfer of Common Shares**

Subject to the "Transfer Restrictions" section below, a shareholder may transfer title to all or any of his shares by completing an instrument of transfer in the usual common form or in such other form as the Board of Directors may approve. The form of transfer is required to be signed by or on behalf of the transferor and also the transferee where any share is not fully paid. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register of members of the Company.

### **10.2.10 Transfer Restrictions**

The Board of Directors may, in its absolute discretion and without assigning any reason therefor, decline to register any transfer of any share which is not a fully paid share. The Board of Directors may also refuse to register an instrument of transfer of a share unless:

- the instrument of transfer is duly stamped, if required by law, and lodged with the Company;
- the instrument is accompanied by the relevant share certificate for the shares to which it relates, and such other evidence as the Board of Directors shall reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained; and

- subject to the Companies Act, the Bye-Laws and any directions of the Board of Directors from time to time in force, the secretary of the Company may exercise the powers and discretions of the Board of Directors with respect to: (i) the transfer of shares by a shareholder by way of an instrument of transfer in the usual common form and (ii) sending to a notice of refusal to register a transfer of shares where the Board of Directors declines to register such transfer, within three months after the date on which the instrument of transfer was lodged.

In accordance with the provisions of the Exchange Control Act 1972, as amended, and related regulations of Bermuda, the permission of the Bermuda Monetary Authority (the “BMA”) is required for all issuances and transfers of shares (which includes our Common Shares) of Bermuda companies to or from a non-resident of Bermuda for exchange control purposes, other than in cases where the BMA has granted a general permission. The BMA, in its notice to the public dated June 1, 2005, has granted a general permission for the issue and subsequent transfer of any securities of a Bermuda company from and/or to a non-resident of Bermuda for exchange control purposes for so long as any “Equity Securities” of the company (which include our Common Shares) are listed on an “Appointed Stock Exchange” (which would include Nasdaq). In granting the general permission the BMA accepts no responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed herein.

Accordingly, our Common Shares benefit from a general permission for free transferability for all transfers between persons who are not resident in Bermuda for exchange control purposes, for as long as such Common Shares remain listed on an appointed stock exchange. In the event that our Common Shares are delisted from Nasdaq, it will be necessary to obtain the prior permission of the BMA to transfer such Common Shares to any transferee, subject to any applicable general permissions issued by the BMA.

#### **10.2.11 Transmission of Shares**

In the event of the death of a shareholder, the survivor or survivors, where the deceased shareholder was a joint holder, and the estate representative, where the deceased shareholder was sole holder, shall be the only persons recognized by us as having any title to the shares of the deceased. “Estate representative” means the person to whom probate or letters of administration has or have been granted in Bermuda, or failing any such person, such other person as the Board of Directors may in its absolute discretion determine to be the person recognized by us for this purpose.

#### **10.2.12 Disclosure of Interests**

Under the Companies Act, a director who has an interest in a material contract or a proposed material contract, or a 10% or more interest (directly or indirectly) in an entity that is interested in a contract or proposed contract or arrangement with us, is obligated to declare the nature of such interest at the first opportunity at a meeting of the Board of Directors, or by writing to the Board of Directors. If the director has complied with the relevant sections of the Companies Act and the Bye-Laws with respect to the disclosure of his interest, the director may vote at a meeting of the Board of Directors or a committee thereof on a contract, transaction or arrangement in which that director is interested, in which case his vote shall be counted and he shall be taken into account in ascertaining whether a quorum is present.

#### **10.2.13 Rights in Liquidation**

Under Bermuda law, in the event of liquidation or winding-up of a company, after satisfaction in full of all claims of creditors and subject to the preferential rights accorded to any series of preferred shares, the proceeds of such liquidation or winding-up are distributed among the holders of shares in accordance with a company’s bye-laws.

Under our Bye-Laws, if we are wound up, the liquidator may, pursuant to a resolution of the shareholders and any approval required by the Companies Act, divide among the shareholders in cash or other assets the whole or part of our assets, whether such assets shall consist of property of the same kind or not, and may for such purposes set such values as such liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders.

#### **10.2.14 Meetings of Shareholders**

Under Bermuda law, a company, unless it elects to dispense with the holding of annual general meetings, is required to convene at least one general meeting per calendar year. The directors of a company, notwithstanding anything in such company's bye-laws, shall, on the requisition of the shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the company carrying the right of vote, duly convene a special general meeting. Our Bye-Laws provide that the Board of Directors may, whenever it thinks fit, convene a special general meeting.

Bermuda law requires that shareholders be given at least five days' notice of a meeting of the Company. Our Bye-Laws extend this period to provide that not less than 20 days' written notice of a general meeting must be given to those shareholders entitled to receive such notice. The accidental omission to give notice to or non-receipt of a notice of a meeting by any person does not invalidate the proceedings of a meeting.

Our Bye-Laws state that no business can be transacted at a general meeting unless a quorum of at least two shareholders representing a majority of the issued shares of the Company are present in person or by proxy and entitled to vote.

Under our Bye-Laws, notice to any shareholders may be delivered either personally or by sending it through the post, by airmail where applicable, in a pre-paid letter addressed to the shareholder at his address as appearing in the share register or by delivering it to, or leaving it at, such registered address. Any notice sent by post shall be deemed to have been served seven (7) days after dispatch. A notice of a general meeting is deemed to be duly given to the shareholder if it is sent to him by cable, telex or tele-copier or other mode of representing or reproducing words in a legible and non-transitory form and such notice shall be deemed to have been served twenty-four (24) hours after its dispatch.

#### **10.2.15 Access to Books and Records and Dissemination of Information**

Under Bermuda law, members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies. These documents include the memorandum of association and any amendment to the memorandum of association.

Under Bermuda law, the minutes of shareholder meetings will be open for inspection by any shareholder or director without charge for not less than two hours during business hours each day, subject to any reasonable restrictions that we may impose. The shareholders shall be entitled to receive a copy of every balance sheet and statement of income and expenditure before a general meeting as required under the Bye-Laws.

Under our Bye-Laws, unless the Board otherwise determines, the register of shareholders of the Company is required to be open for inspection between 10:00 a.m. and 12:00 noon each working day without charge to members of the general public. A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. We have established a branch register with our transfer agent, Computershare Limited, which is based in Jersey City, New Jersey.

Under Bermuda Law, a company is required to keep at its registered office a register of its directors and officers that is open for inspection for not less than two hours in each day by members of the public without charge. Under our Bye-Laws, the register of directors and officers is available for inspection by the public between 10:00 a.m. and 12:00 noon every working day.

Bermuda law does not provide a general right for shareholders to inspect or obtain copies of any other corporate records, except for the Bye-Laws of the Company.

#### **10.2.16 Election or Removal of Directors**

The Bye-Laws provide that the number of directors will be such number, not less than two, as our shareholders by resolution may from time to time determine. A director will serve until re-elected or his successor is appointed at the next annual general meeting or his prior removal in the manner provided by the Companies Act or the Bye-Laws. There is no requirement under Bermuda law, the Company's memorandum of association or its Bye-Laws that a majority of the Company's directors be independent.

The Bye-Laws provide that each director shall have one vote on all matters presented to the Board for a vote. At the Annual General Meeting held on August 30, 2019, all nine directors then in office were re-elected.

The shareholders may by resolution determine that one or more vacancies in the Board of Directors shall be deemed casual vacancies for the purposes of the Bye-Laws. The Board, so long as a quorum of directors remains in office, shall have the power at any time and from time to time to appoint any individual to be a director so as to fill a casual vacancy. The shareholders may approve the appointment of alternate directors or may authorize the Board to appoint them. Directors may also appoint and remove their own alternates. At the Annual General Meeting held on August 31, 2018, the shareholders approved of the total number of directors.

We may, in a special general meeting called for this purpose, remove a director, provided notice of such meeting is served upon the director concerned not less than fourteen days before the meeting and he shall be entitled to be heard at that meeting.

The office of a director will be vacated in the event of any of the following:

- if he resigns his office by notice in writing to be delivered to our registered office or tendered at a meeting of the Board of Directors;
- if he becomes of unsound mind or a patient for any purpose under any statute or applicable law relating to mental health and the Board of Directors resolves that his office is vacated;
- if he becomes bankrupt or enters into a general settlement with his creditors;
- if he is prohibited by law from being a director; or
- if he ceases to be a director by virtue of the Companies Act or is removed from office pursuant to the Bye-Laws.

#### **10.2.17 Amendment of Memorandum of Association and Bye-Laws**

Bermuda law provides that the memorandum of association of a company may be amended by resolution passed at a general meeting of which due notice has been given. An amendment to a memorandum of association does not require the consent of the Minister of Finance of Bermuda save for specific circumstances, for example, the adopting of any authority to carry on restricted business activities.

Under Bermuda law, the holders of:

- an aggregate of not less than twenty percent in par value of a company's issued share capital or any class thereof; or
- not less in the aggregate than twenty percent of the company's debentures entitled to object to amendments to its memorandum of association,

have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda Supreme Court. An application for an annulment of an amendment of the memorandum of association must be made within twenty-one days after the date on which the resolution amending the memorandum of association is passed and may be made on behalf of the persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose.

Our Bye-Laws may be amended in the manner provided for in the Companies Act, which provides that the directors may amend the Bye-Laws, provided that any such amendment shall be effective only to the extent approved by the shareholders.

#### **10.2.18 Merger or Amalgamation**

The Companies Act provides that two or more Bermuda companies may merge and their undertaking, property and liabilities shall vest in one of such companies as the surviving company (referred to as a “merger” under Bermuda law). The Companies Act also provides that a Bermuda company may amalgamate with another company and continue as an amalgamated company (referred to as an “amalgamation” under Bermuda law). A merger or amalgamation requires a merger or amalgamation agreement which must be approved by the board of directors and at a meeting of the shareholders by seventy-five percent of the shareholders present and entitled to vote at such meeting in respect of which the quorum shall be two persons holding or representing by proxy more than one-third of the issued shares of the company. These provisions do not apply where a holding company is merging or amalgamating with one or more of its wholly-owned subsidiaries or where two or more wholly-owned companies of the same holding company are merging or amalgamating.

Under Bermuda law, in the event of a merger or an amalgamation of a Bermuda company, a shareholder who did not vote in favor of the transaction and who is not satisfied that fair value has been offered for the shares, may apply to the Supreme Court of Bermuda within one month of notice of the meeting of shareholders to appraise the fair value of those shares.

#### **10.2.19 Class Actions and Derivative Actions**

Class actions, as they are commonly understood in the United States, are not available to shareholders under Bermuda law. Derivative actions are generally only available to shareholders under Bermuda law in very limited circumstances. A shareholder may commence an action in the name of a company to remedy a wrong done to the company where the wrongdoers are in control of the company and the act complained of is of a fraudulent character, oppressive, beyond the corporate power of the company, illegal or would have required the approval of a greater percentage of the company’s shareholders than those that actually approved it. A shareholder may not commence such an action where the wrong complained of is capable of ratification by the company in a general meeting by ordinary resolution.

Since the July 2018 amendment to the Rules of the Supreme Court, if a derivative action is commenced and the relevant defendant enters an appearance, leave of the Supreme Court of Bermuda must be obtained before the derivative action can proceed.

When one or more shareholders believes the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interest of some part of the shareholders, the Supreme Court of Bermuda, upon petition, brought by the shareholder(s), may make such order as it sees fit if it is satisfied that the affairs of the company are or have been conducted in such an oppressive or prejudicial manner and, that, as a result, it would be just and equitable to wind up the company, but that to so wind up the company would unfairly prejudice the part of the shareholders ; such an order can include (with limitation) provisions regulating the conduct of the company’s affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company, and in the case of a purchase of the shares by the company, for the reduction accordingly of the company’s capital or otherwise.

### **10.2.20 Personal Liability of Directors and Indemnity**

The Companies Act requires every officer, including directors, of a company in exercising powers and discharging duties, to act honestly in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Companies Act further provides that any provision, whether in the bye-laws of a company or in any contract between the company and any officer or any person employed by the company as auditor, exempting such officer or person from liability, or indemnifying him against any liability which by virtue of any rule of law would otherwise attach to him, in respect of any fraud or dishonesty of which he may be guilty in relation to the company, shall be void.

Every director, officer and committee member shall be indemnified out of our funds against all civil liabilities, loss, damage or expense including liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable, incurred or suffered by him as director, officer or committee member; provided that the indemnity contained in the Bye-Laws will not extend to any matter which would render it void under the Companies Act as discussed above.

### **10.2.21 Exchange Controls**

We have been designated by the Bermuda Monetary Authority as a non-resident under the Exchange Control Act of 1972 (the “**Exchange Control Act**”). This designation allows us to engage in transactions in currencies other than the Bermuda dollar.

The transfer of Common Shares between persons regarded as resident outside Bermuda for exchange control purposes and the issue of Common Shares to such persons may be effected without specific consent under the Exchange Control Act and regulations thereunder, provided the Common Shares are listed on an appointed stock exchange.

Notwithstanding the recording of any special capacity, we are not bound to investigate or incur any responsibility in respect of the proper administration of any estate or trust.

We will take no notice of any trust applicable to any of our Common Shares whether or not we had notice of such trust.

As an “exempted company,” we are exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians. However, as an exempted company we may not participate in certain designated business transactions, which we do not consider relevant to our present or planned business activities.

## **10.3 Material Contracts**

### *Composite Services Agreement (“CSA”)*

The Company engages in transactions in the ordinary course of business with PEWC, including the purchase of certain raw materials and the distribution of PEWC products in various countries in the Asia Pacific region. The Company and PEWC are parties to a Composite Services agreement dated November 7, 1996 (the “**Composite Services Agreement**” or “**CSA**”), which the Company has renewed annually, at its option. The Composite Services Agreement contains provisions that define the relationship and the conduct of the respective businesses of the Company and PEWC and confers certain preferential benefits on the Company. In 2019, there were no material changes to the CSA between APWC and PEWC. Pursuant to the Composite Services Agreement,

- PEWC agrees to (a) sell copper rod to the Company, upon the Company’s request, (i) at a price consisting of the spot price of copper on the LME plus an agreed upon premium and (ii) at prices and on terms at least as favorable as PEWC provides copper rod to other purchasers of similar amounts of copper rod in the same markets, and (b) give priority in the supply of copper rod to the Company over other purchasers of copper rod from PEWC.

- The Company has the right to distribute any wire or cable product manufactured by PEWC in all markets in which the Company presently distributes or develops the capability to distribute in the future such products on such terms as have historically been in effect or on terms at least as favorable as PEWC grants to third parties that distribute such products in such markets. However, PEWC is not required to grant to the Company the right to distribute products manufactured by PEWC in the future in markets where the Company does not currently have the capability to distribute unless and until PEWC has no pre-existing contractual rights which would conflict with the grant of such right to the Company.
- Each of PEWC and the Company will offer the other party the right to participate in any negotiations with a third party concerning the establishment of any facility or similar venture to manufacture or distribute any wire or cable product outside of the markets where the Company currently manufactures or distributes, or intends to develop the capability to manufacture or distribute, any wire or cable product. Unless the Company and PEWC mutually agree otherwise, the Company has the right of first refusal to enter into any definitive agreement with such third party. If, however, such third party would not agree to the substitution of the Company for PEWC or such substitution would prevent the successful completion of the facility or venture, PEWC has agreed to arrange for the Company to participate to the extent possible.
- PEWC agrees to make available to the Company, upon the Company's request and on terms to be mutually agreed between PEWC and the Company from time to time, certain services and technology with respect to the design and manufacture of wire and cable products (including fiber optic products), and certain services with respect to computerization, inventory control, purchasing, internal auditing, quality control, emergency back-up services, and recruitment and training of personnel; such services may include the training of the Company's employees and managers at PEWC facilities and the secondment of PEWC employees and managers to the Company.
- Without the consent of the Company, PEWC will not compete with respect to the manufacture or distribution of wire and cable products in any market in which the Company is manufacturing or has taken significant steps to commence manufacturing.
- For purposes of the Composite Services Agreement, each province in China is considered the equivalent of a country.

To the extent that transactions occur in the future between the Company and PEWC or affiliates of PEWC other than under the Composite Services Agreement, such transactions will be entered into on an arm's length basis on terms no less favorable than those available from unaffiliated third parties.

#### **10.4 Taxation**

The following is a summary of the material tax consequences of the acquisition, ownership and disposition of Common Shares based on the tax laws of the United States and Bermuda, subject to the assumptions, qualifications and limitations in our discussion below. Such summary is subject to changes in United States and Bermuda law, including changes that could have retroactive effect. The following summary does not take into account the individual circumstances of an investor, nor does it purport to be a complete technical analysis or examination of all potential tax effects relevant to a decision to purchase Common Shares, including without limitation, the tax laws of the various states or localities within the United States.



#### 10.4.1 United States Taxation

The following is a summary of the material United States federal income tax consequences of the acquisition, ownership and disposition of Common Shares by a U.S. Holder (as defined below) and a Non-U.S. Holder (as defined below), in each case, subject to the assumptions, qualifications and limitations in our discussion below. Such summary is subject to changes in United States law, including changes that could have retroactive effect. The summary does not purport to be a comprehensive description of all possible tax considerations that may be relevant to a decision to purchase Common Shares. This summary is based upon the Internal Revenue Code of 1986, as amended (the “Code”), regulations promulgated under the Code by the U.S. Treasury Department (the “Treasury”) (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the IRS, and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. Such change could materially and adversely affect the tax consequences described below. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. Further, this summary does not discuss any foreign, state or local tax consequences.

In particular, this summary deals only with Common Shares held as capital assets and does not address the United States tax treatment of U.S. Holders and Non-U.S. Holders that are subject to special treatment under the Code, such as dealers in stocks, securities, or currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, financial institutions, insurance companies, tax-exempt entities, real estate investment trusts, regulated investment companies, qualified retirement plans, individual retirement accounts, and other tax deferred accounts, expatriates of the United States, persons subject to the alternative minimum tax, persons holding shares as part of a hedging or conversion transaction or a straddle, or other integrated transaction, persons who acquired Common Shares pursuant to the exercise of any employee stock option or otherwise as compensation for services, or persons whose functional currency is not the United States dollar or who own (directly, indirectly or by attribution) 10% or more of the stock of the Company. This discussion is limited to investors who hold their shares as capital assets. No ruling has been or will be sought from the IRS regarding any matter discussed herein. Counsel to the Company has not rendered any legal opinion regarding any tax consequences to the Company or others of an investment in the Company. Consequently, prospective purchasers who are U.S. Holders or Non-U.S. Holders are advised to satisfy themselves as to the overall United States federal, state, local and foreign tax consequences of their acquisition, ownership and disposition of Common Shares by consulting their own tax advisors.

As used herein, the term “U.S. Holder” means a beneficial owner of Common Shares that is (i) a citizen or resident of the United States, (ii) a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or any state (or the District of Columbia), (iii) an estate, the income of which is subject to United States federal income tax regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more “United States persons” (as defined in Section 7701(a)(30) of the Code) has the authority to control all substantial decisions of the trust, or, to the extent provided in the Regulations, certain trusts in existence on August 20, 1996, and treated as U.S. Persons prior to such date, that elect to be treated as U.S. Persons.

The term “Non-U.S. Holder” means a beneficial owner of Common Shares that is not a U.S. Holder. As described in “Taxation of Non-U.S. Holders” below, the consequences to a Non-U.S. Holder may differ substantially from the tax consequences to a U.S. Holder.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Common Shares, the U.S. federal income tax consequences to a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of Common Shares that is a partnership and the partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of Common Shares.

### *U.S. Federal Income Taxation of the Company*

The Company expects that it will be treated as a foreign corporation for U.S. federal income tax purposes, and it will make no election to the contrary. As a foreign corporation, subject to the rules discussed below, the income, gains, losses, deductions and expenses of the Company will not be passed through to the investors, and all distributions by the Company to the investors will be treated as dividends, return of capital, and/or capital gains.

The Company currently does not conduct activities in the United States and expects that it will continue to conduct activities in a manner so as not to constitute the conduct of a trade or business in the United States or, invest in securities the income from which is treated, for U.S. federal income tax purposes, as arising from a U.S. trade or business. As a result, the income of the Company generally should not be subject to U.S. federal income tax on a net income basis. However, gains realized from certain investments in United States real property interests by foreign persons, such as the Company, may be subject to U.S. federal income tax on a net basis, withholding tax and a branch profits tax. Debt instruments with an equity component linked to a United States real property interest and stock in certain United States corporations holding significant real property interests may be considered United States real property interests taxable as described above.

### *Taxation of U.S. Holders*

The discussion in “Taxation of Dividends” and “Taxation of Capital Gains” below assumes that the Company will not be treated as a PFIC for U.S. federal income tax purposes. For a discussion of the rules that apply if the Company is treated as a PFIC, see the discussion in “Passive Foreign Investment Company” below.

### *Taxation of Dividends*

In November 2016, the Company announced the implementation of a dividend policy pursuant to which the Company would seek to distribute as a cash dividend at least 25% of its net post-tax audited consolidated profit attributable to APWC shareholders. On November 30, 2018, the Company paid a cash dividend of \$0.08 per Common Share to holders of record as of September 14, 2018, in accordance with the Company's dividend policy. A U.S. Holder receiving a distribution with respect to Common Shares generally will be required to include such distribution in gross income (as ordinary income subject to regular, and not reduced, tax rates) on the day received as foreign-source dividend income to the extent such distribution is paid from the Company's current or accumulated earnings and profits (as determined under United States federal income tax principles). Such dividends will not be eligible for the dividends received deduction (generally allowed to certain United States corporations in respect of dividends received from United States corporations). U.S. Holders that are corporations and directly own 10% or more of the voting stock of the Company may be entitled to claim a foreign tax credit for United States federal income tax purposes in respect of foreign taxes paid by the Company and certain subsidiaries. However, if a U.S. Holder claims the foreign tax credit, it must “gross-up” the deemed tax payment and treat the grossed-up amount as part of the dividend distribution, so that the amount included in income is equal to the dividend received plus the amount of the foreign tax deemed paid by such U.S. Holder.

Under U.S. federal income tax laws, a dividend paid to an individual U.S. shareholder from either a domestic corporation or a “qualified foreign corporation” is subject to tax at the reduced rates applicable to certain capital gains. A qualified foreign corporation includes certain foreign corporations that are eligible for benefits of a comprehensive income tax treaty with the United States which the Secretary of the Treasury determines is satisfactory for purposes of this provision and which includes an exchange of information program. In addition, a foreign corporation not otherwise treated as a qualified foreign corporation is so treated with respect to any dividend it pays if the stock with respect to which it pays such dividend is readily tradable on an established securities market in the United States.

In the absence of a comprehensive income tax treaty between the United States and Bermuda, the Company will not be treated as a “qualified foreign corporation” under the treaty test. So long as the Company is not a PFIC (as discussed below), dividends paid by the Company to individual shareholders would qualify for these reduced rates if its stock was treated as readily tradable on an established securities market in the United States.

In Notice 2003-71, 2003-2 C.B. 922, the IRS determined that common or ordinary stock, or an American depository receipt in respect of such stock, is considered readily tradable on an established securities market in the United States if it is listed on a national securities exchange that is registered under Section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f) or on The Nasdaq Stock Market. As stated in the SEC's Annual Report for 2002, registered national exchanges as of September 30, 2002 include the American Stock Exchange (now known as NYSE Amex Equities), the Boston Stock Exchange, the Cincinnati Stock Exchange, the Chicago Stock Exchange, the NYSE, the Philadelphia Stock Exchange, and the Pacific Exchange, Inc.

For so long as the Common Shares continue to be traded on Nasdaq, or are readily tradable on any other established securities market in the United States, any dividends paid by the Company should qualify for the reduced rates referred to above so long as they remain in effect.

To the extent any distribution exceeds the current and accumulated earnings and profits of the Company for a taxable year, the distribution will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in the Common Shares with respect to which the distribution is made, causing a reduction in the adjusted basis of the Common Shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by the U.S. Holder on a subsequent disposition of the Common Shares). To the extent such distribution exceeds the U.S. Holder's adjusted tax basis in the Common Shares, such excess will be treated as capital gain.

#### *Taxation of Capital Gains*

A U.S. Holder will recognize taxable gain or loss on any sale, exchange or other disposition of Common Shares (including a liquidation, dissolution or as a result of a non-pro rata redemption of Common Shares that qualified for treatment as a sale or exchange for United States federal income tax purposes) in an amount equal to the difference between the amount realized for the Common Shares and the U.S. Holder's adjusted tax basis in the Common Shares. Such gain or loss generally will be treated as capital gain or loss and will be long-term capital gain or loss if the Common Shares have been held for more than one year on the date of the sale, exchange or other disposition thereof, and will be short-term capital gain or loss if the Common Shares have been held for one year or less on the date of the sale or exchange thereof. Any gain recognized by a U.S. Holder generally will be treated as United States source income. In general, an individual's short-term capital gains are taxable as ordinary income and an individual's long-term capital gains are subject to U.S. federal income tax at preferential rates.

Long-term capital gains of corporations generally are subject to the U.S. federal income tax at a current rate of 21%. Short-term capital gain generally is taxable at ordinary income rates. Although capital gains of corporations currently are taxed at the same rates as ordinary income, the distinction between capital gain and ordinary income or loss is relevant for purposes of, among other things, limitations on the deductibility of capital losses. Corporations may deduct capital losses only to the extent of capital gains and generally may carry back capital losses to each of the preceding three years and carry forward capital losses to each of the succeeding five years. Individuals may deduct capital losses to the extent of capital gains plus up to \$3,000 (\$1,500 for married individuals filing separate returns) and may carry forward capital losses indefinitely.

### *Backup Withholding*

In general, information reporting requirements may be applicable to dividend payments (or other taxable distributions) made in respect of Common Shares to non-corporate U.S. Holders, and “backup withholding” at the rate of 24% will apply to such payments (i) if the holder or beneficial owner fails to provide a taxpayer identification number in the manner required by U.S. law and applicable regulations, (ii) if the IRS notifies the payor that the taxpayer identification number furnished by the holder or beneficial owner is incorrect, (iii) if there has been notification from the IRS of a failure by the holder or beneficial owner to report all interest or dividends required to be shown on its United States federal income tax returns or (iv) in certain circumstances, if the holder or beneficial owner fails to comply with applicable certification requirements. In general, payment of the proceeds from a sale of Common Shares to or through a United States office of a broker is subject to both United States backup withholding and information reporting unless the holder or beneficial owner establishes an exemption. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9. Amounts withheld under the backup withholding rules may be credited against a holder’s tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS. Payment of the proceeds from the sale of Common Shares effected outside the United States by a foreign office of certain United States connected brokers will not be subject to backup withholding tax but will be subject to information reporting requirements unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. Holder and has no actual knowledge to the contrary, or the beneficial owner otherwise establishes an exemption.

### *Passive Foreign Investment Company*

In general, the Company will be treated as a PFIC for United States federal income tax purposes for any taxable year if either (i) at least 75% of the gross income of the Company is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of the Company’s assets is attributable to assets that produce or are held for the production of passive income. The Company believes, based on its current operations and assets, that it is not a PFIC and does not expect to become a PFIC in the future. This conclusion is a factual determination based on, among other things, a valuation of the Company’s assets, which will likely change from time to time.

If the Company were a PFIC for any taxable year during which a U.S. Holder held Common Shares, the U.S. Holder would be subject to special tax rules with respect to (i) any “excess distribution” by the Company to the U.S. Holder (generally any distribution received by the U.S. Holder in a taxable year that is greater than 125% of the average annual distribution received by the U.S. Holder in the three preceding taxable years, or the U.S. Holder’s holding period for the Common Shares, if shorter) and (ii) any gain realized on the sale or other disposition (including a pledge) of Common Shares.

Under these special tax rules, (i) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period for the Common Shares, (ii) the amount allocated to the U.S. Holder's current taxable year and to any period prior to the first taxable year in which the Company was a PFIC would be includible as ordinary income in the U.S. Holder's current taxable year and (iii) the amount allocated to a prior year during which the Company was a PFIC would be subject to tax at the highest tax rate in effect for that year, and an interest charge would also be imposed with respect to the resulting tax attributable to each such prior year. The interest charge is computed using the applicable rates imposed on underpayments of United States federal income tax for the relevant periods. The above rules will not apply if a "mark-to-market" election is available and a U.S. Holder validly makes such an election by filing a properly completed IRS Form 8621. If such election were made, a U.S. Holder generally would be required to take into account the difference, if any, between the fair market value and its adjusted tax basis in the Common Shares at the end of each taxable year as ordinary income or ordinary loss (to the extent of any net mark-to-market gains previously included in income). Thus, the U.S. Holder may recognize taxable income without receiving any cash to pay its tax liability with respect to such income. A U.S. Holder's tax basis in the Common Shares would be adjusted to reflect any such income or loss amount. In addition, any gain from a sale, exchange or other disposition of the Common Shares would be treated as ordinary income, and any loss would be treated as ordinary loss (to the extent of any net mark-to-market gains previously included in income). A mark-to-market election is available to a U.S. Holder only if the Common Shares are considered "marketable stock" for these purposes. Generally, shares of a PFIC will be considered marketable stock if they are "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of shares is regularly traded during any calendar year during which such class of shares is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. A "qualified exchange" is defined to include a national securities exchange registered with the SEC or certain foreign exchanges. As the Common Shares of the Company commenced trading on Nasdaq beginning on April 29, 2011, the mark-to-market election under the rules discussed above is available if the Company were otherwise classified as a PFIC, for so long as the Common Shares continue to be regularly traded on Nasdaq or another qualified exchange.

The special tax rules described above will also not apply to a U.S. Holder if the U.S. Holder elects to have the Company treated as a "qualified electing fund" (a "**QEF election**") and the Company provides certain information to U.S. Holders. If the Company is treated as a PFIC, it will notify the U.S. Holders and provide such holders with the information necessary to make an effective QEF election, including information as to the procedures for making such an election. The QEF election is made on a shareholder-by-shareholder basis and can ordinarily be revoked only with the consent of the IRS.

A U.S. Holder that makes a valid QEF election will be currently taxable on its pro rata share of the Company's ordinary earnings and net capital gain (at ordinary income and capital gains rates, respectively) for each taxable year that the Company is classified as a PFIC, regardless of whether distributions are received. Thus, the U.S. Holder may recognize taxable income without receiving any cash to pay its tax liability with respect to such income. The U.S. Holder's basis in the Common Shares will be increased to reflect taxed but undistributed income. Distributions of income that have been previously taxed will result in a corresponding reduction of basis in the Common Shares and will not be taxed again as a distribution to the U.S. Holder.

A U.S. Holder owning Common Shares during any year that the Company is a PFIC must file IRS Form 8621. U.S. Holders should consult their tax advisors concerning the United States federal income tax consequences of holding Common Shares and of making a mark-to-market or QEF election if the Company is treated as a PFIC in the future.

### *Controlled Foreign Corporation*

A non-U.S. corporation generally will be a CFC for U.S. tax purposes if United States shareholders collectively own more than 50 percent of the total combined voting power or total value of the corporation's stock on any day during any taxable year. For this purpose, United States shareholders are limited to those U.S. persons who own, directly, indirectly or constructively, 10 percent or more of the total combined voting power of all classes of stock of the non-U.S. corporation. If a corporation is a CFC for an uninterrupted period of 30-days in any tax year, every United States shareholder that owns stock on the last day of the CFC's tax year, must include in gross income such shareholder's pro rata share of the CFC's "subpart F income" and income from investments in certain types of U.S. property (*i.e.*, tangible personal property located in the United States, stock of a United States corporation, an obligation of a United States person, or a right to use patents, copyrights, and other similar property in the United States) even if the income has not been distributed to the shareholders in the form of dividends or otherwise. Subpart F income consists of certain specified categories of income including, among others, dividends, interest, rents, royalties, net gains from the sale of property giving rise to such income and income from certain types of transactions involving "related persons" as defined for U.S. federal income tax purposes.

The Tax Cuts and Jobs Act of 2017 introduced a new category of income called Global Intangible Low Tax Income ("GILTI") that, like subpart F income, is deemed repatriated in the year earned. GILTI is basically the income of a CFC reduced by certain adjustments such as U.S. effectively connected income or other subpart F income, that exceeds 10% of the CFC's Qualified Business Asset Investment ("QBAI"). QBAI is the CFC's fixed assets that are depreciable as trade or business assets and does not include the CFC's patents, trademarks, and certain other amortizable intangible property.

### **Taxation of Non-U.S. Holders**

#### *Taxation of Dividends*

Subject to the discussion in "Backup Withholding" below, Non-U.S. Holders generally will not be subject to U.S. federal income tax, including withholding tax, on distributions received on Common Shares, unless the distributions are effectively connected with a trade or business conducted in the United States (and, if an applicable income tax treaty so requires, attributable to a permanent establishment maintained in the United States).

If distributions are effectively connected with a U.S. trade or business (and, if applicable, attributable to a U.S. permanent establishment), Non-U.S. Holders generally will be subject to tax on such distributions in the same manner as U.S. Holders, as described in "Taxation of U.S. Holders — Taxation of Dividends" above. In addition, any such distributions received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

#### *Taxation of Capital Gains*

Gain realized by Non-U.S. Holders upon the sale or exchange or complete redemption of Common Shares held as a capital asset generally should not be subject to United States federal income tax provided that the gain is not effectively connected with a trade or business conducted in the United States (and, if an applicable tax treaty so requires, attributable to a permanent establishment maintained in the United States). However, in the case of nonresident alien individuals, such gain will be subject to the 30% (or lower tax treaty rate) U.S. flat tax if (i) such person is present in the United States for 183 days or more during the taxable year (on a calendar year basis unless the nonresident alien individual has previously established a different taxable year) and certain other conditions are met; and (ii) such gain is derived from U.S. sources.

Generally, the source of gain upon the sale or exchange or complete redemption of Common Shares is determined by the place of residence of the shareholder. For purposes of determining the source of gain, the Code defines residency in a manner that may result in an individual who is otherwise a nonresident alien with respect to the United States being treated as a United States resident for purposes of determining the source of income only. Each potential individual investor who anticipates being present in the United States for 183 days or more (in any taxable year) should consult a separate, outside tax advisor with respect to the possible application of this rule.

Special rules may apply in the case of shareholders (i) that have an office or fixed place of business in the United States to which a distribution or gain in respect of the Common Shares is attributable; or (ii) that are former citizens or residents of the United States, CFCs, foreign personal holding companies or corporations that accumulate earnings to avoid United States federal income tax. Such persons in particular are urged to consult their United States tax advisors before investing in the Company.

#### *Backup Withholding*

In the case of Common Shares held by a Non-U.S. Holder, or held in the United States by a custodian or nominee for a Non-U.S. Holder, U.S. back-up withholding taxes may apply to distributions in respect of such Common Shares unless such Non-U.S. Holder properly certifies as to its non-U.S. status using the appropriate version of IRS Form W-8.

Backup withholding is not an additional tax. Amounts withheld as backup withholding from a payment to a Non-U.S. Holder may be credited against his U.S. federal income tax liability and a Non-U.S. Holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

#### *Future Tax Legislation*

Future amendments to the Code, other legislation, new or amended U. S. Treasury Regulations, administrative rulings or guidance by the IRS, or judicial decisions may adversely affect the federal income tax aspects of an investment in the Company, with or without advance notice, and retroactively or prospectively.

#### *U.S. Treasury Circular 230 Notice*

Any United States federal tax advice included in this Annual Report (a) was not intended to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties, and (b) was not written to support the promotion or marketing of the Company, its Common Shares or any transaction(s) or matter(s) addressed in the written advice. The taxpayer should seek advice based upon the taxpayer's particular circumstances from an independent tax adviser.

### **10.4.2 Bermuda Taxation**

The following discussion correctly describes the material tax consequences of the ownership of Common Shares under Bermuda law, subject to the assumptions, qualifications and limitations in the discussion below. Such summary is subject to changes in Bermuda law, including changes that could have retroactive effect.

Under current Bermuda law, there are no taxes on profits, income or dividends nor is there any capital gains tax. Furthermore, the Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966, as amended, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to the Company or to any of its operations, or the shares, debentures or other obligations of the Company, until March 31, 2035. This undertaking does not, however, prevent the imposition of any such tax or duty on such persons as are ordinarily resident in Bermuda and holding such shares, debentures or obligations of the Company or of property taxes on Company-owned real property or leasehold interests in Bermuda.

As an exempted company, the Company must pay to the Bermuda government an annual government fee calculated on a sliding-scale basis by reference to its assessable capital, that is, its authorized share capital plus any share premium.

There is no stamp duty or other transfer tax payable upon the transfer of shares in the Company by shareholders.

The United States does not have a comprehensive income tax treaty with Bermuda.

### **10.5 Documents on Display**

We are required to comply with the reporting requirements of the Exchange Act, applicable to a foreign private issuer. We are currently required to file annually a Form 20-F no later than four months after the close of our fiscal year, which is December 31. Any time the Company is delinquent in filing timely any periodic reports, including an Annual Report on Form 20-F, with the SEC, that delinquency may adversely affect the Company's status on any exchange or quotation service on which its shares are listed or quoted and the Company may not be entitled to use certain abbreviated registration statements with the SEC in connection with the registration of any of its securities. We have not been delinquent in filing our annual reports in any of the past five years.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our reports and other information, when so filed, may be accessed over the Internet on the SEC's website at <http://www.sec.gov>.

In addition, we post certain information regarding the Company and its operations on our website located at [www.apwcc.com](http://www.apwcc.com). Summary information regarding the Company posted on our website should not be considered to be a substitute for, or a restatement of, the more complete information regarding the Company, its results of operations and financial condition set forth in this Annual Report or other documents or information which we may file with the SEC.

## **ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

The Company has exposure to several quantitative market risks, including fluctuations in interest rates, foreign currency exchange rates and the pricing of commodities, principally copper, the Company's main raw material. Risk management measures undertaken by the Company include entering into derivative agreements covering foreign exchange rates and copper pricing, as well as copper forward pricing agreements. The Company does not purchase or sell derivative instruments for trading purposes. The Company does not engage in trading activities involving copper contracts for which a lack of marketplace quotations would necessitate the use of fair value estimation techniques.

### **11.1 Interest Rate Risk**

The Company is not currently a party to any derivative instruments to manage interest rate exposure. In the current interest rate environment, the Company does not believe that the limited potential loss limitation protection available through the purchase of interest rate swaps or other derivative instruments against its exposure under floating rate finance facilities merits the cost that would be incurred in those transactions.

### **11.2 Foreign Currency Risk**

The Company has exposure to fluctuations in currency exchange rates. The Company's revenues are generated primarily in the local currency or currencies in its principal operating regions, North Asia, Thailand, and the ROW, which are also its reporting segments. However, significant proportions of raw materials are in U.S. dollars.



As the Company's operating subsidiaries incur operating costs in the local currency where they operate, the Company believes it is prudent that those operating subsidiaries incur indebtedness in the local currency when debt financing is necessary. The amount of indebtedness incurred by our operating subsidiaries from time to time is a function of our business strategy, the attractiveness of borrowing as opposed to other methods of financing operations and tax implications, among other considerations. The Company has exposure to currency exchange risk when the results of its operating subsidiaries are translated from the local currency into the U.S. dollar. At December 31, 2019 and 2018, the other comprehensive income in the total equity section of the consolidated balance sheets included currency translation adjustments of \$9.8 million and \$15.3 million, respectively.

### **11.3 Market Risks Relating to Copper**

Copper is the principal raw material we use, accounting for a majority portion of the cost of sales in 2019. We purchase copper at prices based on the average prevailing international spot market prices on the LME for copper for the one month prior to purchase. The price of copper is influenced heavily by global supply and demand as well as speculative trading. As with other costs of production, changes in the price of copper may affect our cost of sales. Whether this has a material impact on our operating margins and financial results depends primarily on our ability to adjust our selling prices to our customers, such that increases and decreases in the price of copper are reflected in those selling prices. The purchase price of our products is based in part on the cost of copper used to manufacture those products. In addition, in the ordinary course of business we maintain inventories of raw materials and finished products reasonably necessary for the conduct of our business. These inventories typically reflect the cost of copper prevailing in the market at the time we purchase. Most of our sales of Manufactured Products reflect copper prices prevailing at the time the products are ordered. A long-term decrease in the price of copper would require the Company to revalue the value of its inventory at periodic intervals to the then market value, which could be below cost. Copper prices have been subject to considerable volatility and it is not always possible to manage our copper purchases and inventory so as to neutralize the impact of copper price volatility. Accordingly, significant volatility in copper prices could have a material adverse effect on the results of our operations. No assurance can be given that such volatility will not recur.

### **11.4 Equity Price Risk**

The Company is exposed to equity price risk as a result of our unlisted available-for-sale equity securities. The carrying value of these investments in private companies is subject to fluctuations and their fair market value may be significantly different from the carrying value.

### **11.5 Fair Value of Designated Market-Sensitive Derivative Contracts**

Not applicable

## **ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable

## Part II

### ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

The Company has not experienced any material default in the payment of principal, interest, a sinking or purchase fund installment, or incurred any other material default, not cured within 30 days relating to the Company's or any of its consolidated subsidiaries' indebtedness.

### ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable

### ITEM 15: CONTROLS AND PROCEDURES

#### *Disclosure Controls and Procedures*

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures in accordance with the provisions of Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our management concluded that our disclosure controls and procedures were effective as of December 31, 2019.

#### *Management's report on Internal Control over Financial Reporting*

The Company's management, including our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. We do not expect that our internal control will prevent all errors and all fraud, or eliminate the possibility of fraudulent conduct. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management, including its CEO and CFO, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 (the “**Assessment Date**”). In making its assessment, management used the criteria set forth in Internal Control — Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations (“**COSO**”) of the Treadway Commission. These criteria include the control environment, risk assessment, control activities, information and communication and monitoring of each of the above criteria. Based on this assessment, the Company's management, including its CEO and CFO, concluded that the Company's internal control over financial reporting was effective as of the Assessment Date.

#### *No Requirement of Auditor Attestation*

This annual report does not contain an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Commission that permit the Company to provide only management's report in this annual report.

### *Changes in internal control over financial reporting*

There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during the last fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERT**

For more than the past five (5) years, the Common Shares of the Company have been trading on Nasdaq. During those periods of time when the Company did not have any independent directors, our full Board of Directors fulfilled the functions of an audit committee pursuant to Section 3(a)(58)(B) of the Exchange Act. For each of 2017, 2018 and 2019, our audit committee has consisted of our three independent directors, Mr. Anson Chan, Dr. Yichin Lee and Dr. Lambert L. Ding, with Mr. Chan serving as the Audit Committee's chairman and financial expert. The Audit Committee of the Company's Board of Directors meets the requirements set forth in Regulation 10A-3 under the Exchange Act and under the rules of Nasdaq.

### **ITEM 16B: CODE OF ETHICS**

On April 26, 2005, the Company adopted a code of ethics applicable to its Chief Executive Officer and senior financial officers. A copy of the Company's code of ethics for senior executives is on file with the SEC.

### **ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

#### *Audit Fees*

The aggregate fees for fiscal years 2019 and 2018 for professional services rendered by the principal independent accountant for the audit of the Company's annual financial statements totaled \$0.9 million and \$0.8 million, respectively.

#### *Tax Fees*

The aggregate fees for fiscal years 2019 and 2018 for professional services rendered by the principal independent accountant for tax compliance, tax advice and tax planning totaled approximately \$39 thousand and \$40 thousand, respectively.

#### *All Other Fees*

(None)

#### *Audit Committee Approval*

The engagement of the independent accountant to render audit, audit-related and non-audit services is entered into pursuant to pre-approval policies and procedures established in the Charter of the Audit Committee of the Company. Each of the services described in this Item 16C was approved by the Audit Committee.

### **ITEM 16D: EXEMPTIONS FROM THE LISTING STANDARDS FOR THE AUDIT COMMITTEES**

The Audit Committee of the Company's Board of Directors consists of three directors, each of whom is independent, as such term is defined in Regulation 10A-3 promulgated under the Exchange Act, and one of whom is a financial expert.

### **ITEM 16E: PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not applicable

**ITEM 16F: CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable

**ITEM 16G: CORPORATE GOVERNANCE**

The Common Shares of the Company are currently traded on the Nasdaq Global Market tier. However, as the Company has a more than fifty percent (50%) shareholder, the Company relies upon a "controlled company exemption" that exempts it from having a board of directors comprised of a majority of independent directors. At present, a majority of the directors of the Company is affiliated with PEWC. The Company also relies on Nasdaq's allowance for foreign private issuers to follow home country practices in lieu of the requirement that listed companies have regularly scheduled meetings at which only independent directors are present ("executive sessions"). The independent directors of the Company meet periodically in executive session in their capacity as members of the Audit Committee of the Board of Directors of the Company without other Directors present, but on occasion meet with the independent auditors of the Company present in such executive session, and on occasion meet with members of management present in order to understand more fully management's analysis of the Company's financial performance and compliance with relevant corporate governance requirements. These are the only material differences between the Company's corporate governance practices and the corporate governance practices set forth for domestic companies under the Nasdaq rules on the subject matter.

**ITEM 16H: MINE SAFETY DISCLOSURE**

Not applicable

## Part III

### ITEM 17: FINANCIAL STATEMENTS

The Company has elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

### ITEM 18: FINANCIAL STATEMENTS

See pages F-1 – F-105.

### ITEM 19: EXHIBITS

#### 19.1 Index to Audited Financial Statements

Report of independent registered public accounting firm

Consolidated income statements for the years ended December 31, 2019, 2018 and 2017

Consolidated statements of comprehensive income for the years ended December 31, 2019, 2018 and 2017

Consolidated balance sheets as of December 31, 2019 and 2018

Consolidated statements of changes in equity for the years ended December 31, 2019, 2018 and 2017

Consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017

Notes to consolidated financial statements

#### 19.2 Index to Exhibits

- 1.1 Memorandum of Association of Asia Pacific Wire & Cable Corporation Limited (incorporated by reference to Exhibit 1.1 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on June 21, 2001). (P)
- 1.2 [Third Amended and Restated Bye-Laws of Asia Pacific Wire & Cable Corporation Limited \(incorporated by reference to Exhibit 3.2 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 30, 2012\).](#)
- 2.1 [Description of the Rights of Holders of Common Shares.](#)
- 4.1 Composite Services Agreement (incorporated by reference to Exhibit 10.1 of the Company's Form F-1 file with the Securities and Exchange Commission on November 13, 1996). (P)
- 4.2 [Amended and Restated summaries of Joint Venture Agreements \(incorporated by reference to Exhibit 4.6 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 30, 2013\).](#)
- 4.3 [Loan Facility Agreement between Crown Century Holdings Limited and Bangkok Bank Public Company Limited dated March 17, 2011 \(incorporated by reference to Exhibit 10.8 of the Company's Post-Effective Amendment No. 8 to Form F-1 on Form F-3 filed with the Securities and Exchange Commission on August 31, 2011\).](#)
- 8 [List of significant subsidiaries \(see Note 2.2 to the consolidated financial statements\).](#)
- 11 [Code of Ethics \(incorporated by reference to Exhibit 11 of the Company's annual report on Form 20-F file with the Securities and Exchange Commission on November 9, 2007\).](#)
- 12.1 [Certification of Chief Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act \(filed herewith\).](#)

- 12.2 [Certification of Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act \(filed herewith\).](#)
- 13.1 [Certification by Chief Executive Officer of periodic financial report pursuant to 18 U.S.C. Section 1350, as mandated by Section 906 of the Sarbanes-Oxley Act \(filed herewith\).](#)
- 13.2 [Certification by Chief Financial Officer of periodic financial report pursuant to 18 U.S.C. Section 1350, as mandated by Section 906 of the Sarbanes-Oxley Act \(filed herewith\).](#)
- 15.1 [Amended and Restated Audit Committee Charter \(incorporated by reference to Exhibit 16.G of the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2011\).](#)

(P) – Paper filings

## SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**ASIA PACIFIC WIRE & CABLE  
CORPORATION LIMITED**

April 27 , 2020

/s/ Yuan Chun Tang

Name: Yuan Chun Tang

Title: Chief Executive Officer

# ASIA PACIFIC WIRE & CABLE CORPORATION LIMITED

## Audited Consolidated Financial Statements

As of December 31, 2019 and 2018  
Years ended December 31, 2019, 2018 and 2017

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Asia Pacific Wire & Cable Corporation Limited:

### ***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of Asia Pacific Wire & Cable Corporation Limited and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***Change in Accounting Principles***

As discussed in Note 4.1 the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for financial instruments and revenue from contracts with customers in 2018.

### ***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers, Taiwan  
Taipei, Taiwan  
Republic of China  
April 27, 2020

We have served as the Company's auditor since 2017.

ASIA PACIFIC WIRE & CABLE CORPORATION LIMITED

CONSOLIDATED INCOME STATEMENTS

For the years ended December 31, 2019, 2018 and 2017

		<u>2019</u>	<u>2018</u>	<u>2017</u>
	<b>Note</b>	US\$'000	US\$'000	US\$'000
<b>Revenue</b>	5(e)	338,160	425,940	425,215
<b>Cost of sales</b>	7(g),13	<u>(313,373)</u>	<u>(389,692)</u>	<u>(385,527)</u>
<b>Gross profit</b>		24,787	36,248	39,688
Other operating income	7(a)	385	805	5,084
Selling, general and administrative expenses	7(g)	(25,051)	(26,924)	(27,248)
Other operating expenses	7(b)	<u>(770)</u>	<u>(1,445)</u>	<u>(909)</u>
<b>Operating (loss) /profit</b>		(649)	8,684	16,615
Finance costs	7(c)	(1,012)	(1,378)	(1,221)
Finance income	7(d)	506	482	876
Share of loss of associates	19	(3)	(3)	(3)
Loss on liquidation of a subsidiary		—	—	(261)
Exchange gain		1,550	1,741	2,784
Other income	7(e)	717	1,817	214
Other expense	7(f)	<u>(3)</u>	<u>(11)</u>	<u>(336)</u>
<b>Profit before tax</b>		1,106	11,332	18,668
Income tax expense	8	<u>(2,057)</u>	<u>(3,886)</u>	<u>(5,140)</u>
<b>(Loss) /Profit for the year</b>		<u>(951)</u>	<u>7,446</u>	<u>13,528</u>
Attributable to:				
Equity holders of the parent		(1,632)	2,928	8,720
Non-controlling interests		<u>681</u>	<u>4,518</u>	<u>4,808</u>
		<u>(951)</u>	<u>7,446</u>	<u>13,528</u>
(Loss) /earnings per share				
Basic and diluted (loss)/profit for the year attributable to equity holders of the parent	9	\$ (0.12)\$	0.21 \$	0.63

The accompanying notes are an integral part of these consolidated financial statements.

ASIA PACIFIC WIRE & CABLE CORPORATION LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019, 2018 and 2017

	Note	2019 US\$'000	2018 US\$'000	2017 US\$'000
<b>Profit /(loss) for the year</b>		<b>(951)</b>	<b>7,446</b>	<b>13,528</b>
<b>Other comprehensive income/(loss)</b>				
<i>Other comprehensive income /(loss) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations, net of tax of \$0	23(c)	10,677	(4,388)	15,882
Cumulative translation differences reclassified to profit or loss on liquidation of a subsidiary	23(c)	—	—	248
		10,677	(4,388)	16,130
Net gain/(loss) on available-for-sale financial assets		—	—	(80)
Income tax effect	8	—	—	16
Other comprehensive income from available-for-sale financial assets, net of tax	22	—	—	(64)
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	11(d)	1,670	(419)	—
Income tax effect	8	(334)	84	—
Other comprehensive income from equity instruments measured at fair value, net of tax	22	1,336	(335)	—
Re-measuring loss on defined benefit plans	21	(1,727)	(410)	(772)
Income tax effect	8	345	82	154
Defined benefit pension plan, net of tax	22	(1,382)	(328)	(618)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>10,631</b>	<b>(5,051)</b>	<b>15,448</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>9,680</b>	<b>2,395</b>	<b>28,976</b>
Attributable to:				
Equity holders of the parent		3,786	(2,038)	18,992
Non-controlling interests		5,894	4,433	9,984
		<b>9,680</b>	<b>2,395</b>	<b>28,976</b>

The accompanying notes are an integral part of these consolidated financial statements.

ASIA PACIFIC WIRE & CABLE CORPORATION LIMITED  
CONSOLIDATED BALANCE SHEETS  
As of December 31, 2019 and 2018

	Note	As of December 31,	
		2019	2018
		US\$'000	US\$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	53,673	60,778
Trade receivables	12	74,077	79,617
Other receivables	12,27(e)	6,868	12,422
Contract assets	14	4,686	1,460
Due from related parties	24	11,566	12,061
Inventories	13	85,187	83,925
Prepayments	16(c)	1,926	1,140
Other current assets		<u>1,521</u>	<u>2,745</u>
		239,504	254,148
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	11,26	4,062	2,332
Property, plant and equipment	15,27(e)	41,747	41,418
Right-of-use assets	16(a)	3,735	—
Prepaid land lease payments	16(c)	—	978
Investment properties	7(a),17,26	730	720
Intangible assets	18	128	157
Investments in associates	19	935	864
Deferred tax assets	8	3,939	3,919
Other non-current assets		<u>4,131</u>	<u>1,262</u>
		59,407	51,650
<b>Total assets</b>		<b><u>298,911</u></b>	<b><u>305,798</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	11(b)	11,356	24,814
Trade and other payables	20	16,879	21,127
Due to related parties	24	3,284	2,997
Financial liabilities at fair value through profit or loss	11,26	3	142
Accruals		14,437	14,197
Current tax liabilities	8	2,872	3,863
Employee benefit liabilities	21	1,888	1,282
Lease liabilities	11(d)	574	44
Other current liabilities	22	<u>2,356</u>	<u>3,272</u>
		53,649	71,738
<b>Non-current liabilities</b>			
Employee benefit liabilities	21	10,434	8,273
Lease liabilities	11(d)	2,254	46
Deferred tax liabilities	8	<u>4,139</u>	<u>3,925</u>
		16,827	12,244
<b>Total liabilities</b>		<b><u>70,476</u></b>	<b><u>83,982</u></b>
<b>Equity</b>			
Issued capital	23	138	138
Additional paid-in capital		110,416	110,376

Treasury shares		(38)	(38)
Retained earnings		53,384	55,016
Other components of equity		<u>(10,046)</u>	<u>(15,464)</u>
<b>Equity attributable to equity holders of the parent</b>		<b>153,854</b>	<b>150,028</b>
Non-controlling interests	6	<u>74,581</u>	<u>71,788</u>
<b>Total equity</b>		<b><u>228,435</u></b>	<b><u>221,816</u></b>
<b>Total liabilities and equity</b>		<b><u><u>298,911</u></u></b>	<b><u><u>305,798</u></u></b>

The accompanying notes are an integral part of these consolidated financial statements.

ASIA PACIFIC WIRE & CABLE CORPORATION LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019, 2018 and 2017

Attributable to the equity holders of the parent											
	Issued capital	Additional paid-in capital	Treasury shares	Retained earnings	Remeasurement of defined benefit plans	Available- for-sale reserve	Financial assets at FVOCI reserve	Foreign currency translation reserve	Total	Non- controlling interests	Total equity
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at January 1, 2017</b>	<b>138</b>	<b>110,608</b>	<b>(38)</b>	<b>46,012</b>	<b>(435)</b>	<b>907</b>	<b>—</b>	<b>(21,242)</b>	<b>135,950</b>	<b>61,225</b>	<b>197,175</b>
Net profit	—	—	—	8,720	—	—	—	—	8,720	4,808	13,528
Other comprehensive income/(loss)	23	—	—	—	(315)	(33)	—	10,620	10,272	5,176	15,448
<b>Total comprehensive income/(loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,720</b>	<b>(315)</b>	<b>(33)</b>	<b>—</b>	<b>10,620</b>	<b>18,992</b>	<b>9,984</b>	<b>28,976</b>
Dividend paid	23	—	—	(1,382)	—	—	—	—	(1,382)	(1,943)	(3,325)
Effect from the changes in shareholding percentage in subsidiary	2.2	—	(232)	—	—	—	—	—	(232)	232	—
<b>Balance at December 31, 2017</b>	<b>138</b>	<b>110,376</b>	<b>(38)</b>	<b>53,350</b>	<b>(750)</b>	<b>874</b>	<b>—</b>	<b>(10,622)</b>	<b>153,328</b>	<b>69,498</b>	<b>222,826</b>
Reclassification on adoption of IFRS 9 and IFRS 15	4.1	—	—	(156)	—	(874)	874	—	(156)	63	(93)
<b>Balance at January 1, 2018</b>	<b>138</b>	<b>110,376</b>	<b>(38)</b>	<b>53,194</b>	<b>(750)</b>	<b>—</b>	<b>874</b>	<b>(10,622)</b>	<b>153,172</b>	<b>69,561</b>	<b>222,733</b>
Net profit	—	—	—	2,928	—	—	—	—	2,928	4,518	7,446
Other comprehensive income/(loss)	23	—	—	—	(167)	—	(170)	(4,629)	(4,966)	(85)	(5,051)
<b>Total comprehensive income/(loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,928</b>	<b>(167)</b>	<b>—</b>	<b>(170)</b>	<b>(4,629)</b>	<b>(2,038)</b>	<b>4,433</b>	<b>2,395</b>
Dividends paid	23	—	—	(1,106)	—	—	—	—	(1,106)	(2,206)	(3,312)
<b>Balance at December 31, 2018</b>	<b>138</b>	<b>110,376</b>	<b>(38)</b>	<b>55,016</b>	<b>(917)</b>	<b>—</b>	<b>704</b>	<b>(15,251)</b>	<b>150,028</b>	<b>71,788</b>	<b>221,816</b>
Net loss	—	—	—	(1,632)	—	—	—	—	(1,632)	681	(951)
Other comprehensive income/(loss)	23	—	—	—	(704)	—	680	5,442	5,418	5,213	10,631
<b>Total comprehensive income/(loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,632)</b>	<b>(704)</b>	<b>—</b>	<b>680</b>	<b>5,442</b>	<b>3,786</b>	<b>5,894</b>	<b>9,680</b>
Dividends paid	23	—	—	—	—	—	—	—	—	(2,763)	(2,763)
Effect from the changes in shareholding percentage in subsidiary	2.2	—	40	—	—	—	—	—	40	(338)	(298)
<b>Balance at December 31, 2019</b>	<b>138</b>	<b>110,416</b>	<b>(38)</b>	<b>53,384</b>	<b>(1,621)</b>	<b>—</b>	<b>1,384</b>	<b>(9,809)</b>	<b>153,854</b>	<b>74,581</b>	<b>228,435</b>

The accompanying notes are an integral part of these consolidated financial statements.

ASIA PACIFIC WIRE & CABLE CORPORATION LIMITED  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2019, 2018, and 2017

		2019	2018	2017
	Note	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>				
Profit before tax		1,106	11,332	18,668
Adjustments to reconcile profit before tax to net cash provided by operating activities:				
Depreciation	15,16,17	5,274	4,936	4,972
Impairment of property, plant and equipment	15	546	11	223
Amortization of prepaid land lease payments	16	—	38	35
Amortization of intangible assets	18	50	44	49
Gain on disposal of property, plant and equipment	7(a)	(88)	(93)	(99)
Gain on disposal of assets classified as held for sale	7(a)	—	—	(4,525)
Adjustment for loss (gain) on fair value of derivatives	7(e),7(f)	(146)	2	332
Dividend income	7(e)	(109)	(105)	(100)
Finance income	7(d)	(506)	(482)	(876)
Finance costs	7(c)	1,012	1,378	1,221
Share of loss of associates	19	3	3	3
Impairment (reversal of impairment) for trade receivables	12(a)	(122)	570	302
Impairment for trade receivables for related parties	7(b)	—	1	27
Impairment of other receivable	7(b)	30	53	—
Impairment (write-back of impairment) of inventories	13	(322)	1,613	532
Unrealized foreign exchange difference, net		(503)	(742)	(1,771)
Loss on liquidation of subsidiary		—	—	261
Changes in operating assets and liabilities				
Trade and other receivable, net		16,031	27,993	(17,438)
Contract assets		(3,160)	(1,317)	—
Inventories		3,166	10,339	(11,523)
Prepayment and other current assets		484	133	123
Amounts due to/from related parties		1,177	(1,422)	2,733
Other non-current assets		(238)	(55)	77
Trade and other payables, accruals, other current liabilities and other non-current liabilities		(5,527)	(8,518)	(6,778)
<b>Net cash flows (used in) provided by operating activities</b>		<b>18,158</b>	<b>45,712</b>	<b>(13,552)</b>
Dividend received		109	105	100
Interest received		457	405	858
Interest paid		(894)	(1,216)	(1,043)
Income tax paid		(2,690)	(4,357)	(2,787)
<b>Net cash provided (used in) by operating activities</b>		<b>15,140</b>	<b>40,649</b>	<b>(16,424)</b>
<b>Investing activities:</b>				
Purchases of property, plant and equipment	28	(5,442)	(4,441)	(4,903)
Purchases of intangible assets	18	(20)	(67)	(10)
Purchases of investment properties	17	—	—	(84)
Purchases of long-term bank deposits		(272)	(410)	(475)
Purchases of short-term bank deposits		(835)	—	—
Proceeds from disposal of held for sale assets	7(a)	—	—	8,011
Proceeds from disposal of property, plant and equipment		171	100	510
Proceeds from disposal of other financial assets-held to maturity		—	—	340
<b>Net cash (used in) provided by investing activities</b>		<b>(6,398)</b>	<b>(4,818)</b>	<b>3,389</b>
<b>Financing activities:</b>				
Dividend paid to non-controlling shareholders of subsidiaries		(2,763)	(2,206)	(1,943)
Dividend paid to company's shareholders	23(b)	—	(1,106)	(1,382)
Repayments of borrowings		(19,811)	(25,737)	(17,306)
Proceeds from borrowings		5,349	9,517	27,714
Change in financial lease liabilities		—	(46)	(41)
Principal elements of lease payments	28	(426)	—	—
Effect from the changes in shareholding percentage in subsidiary		(298)	—	—
<b>Net cash (used in) provided by financing activities</b>		<b>(17,949)</b>	<b>(19,578)</b>	<b>7,042</b>
Effect of exchange rate		2,102	(1,568)	3,855
Net (decrease) increase in cash and cash equivalents		(7,105)	14,685	(2,138)
Cash and cash equivalents at beginning of year	10	60,778	46,093	48,231
<b>Cash and cash equivalents at end of year</b>	10	<b>53,673</b>	<b>60,778</b>	<b>46,093</b>

The accompanying notes are an integral part of these consolidated financial statements.





**1. PRINCIPAL ACTIVITIES AND CORPORATE INFORMATION**

Asia Pacific Wire & Cable Corporation Limited (“APWC” or the “Company”), which is a subsidiary of Pacific Electric Wire & Cable Co., Ltd. (“PEWC”), a Taiwanese company, was incorporated as an exempted company in Bermuda on September 19, 1996 under the Companies Act 1981 of Bermuda (as amended) for the purpose of acting as a holding company. The Company is principally engaged in owning operating companies engaged in the power cable, telecommunication cable, enameled wire and electronic cable industry. The Company’s registered office is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company’s executive business office is presently located in Taipei, Taiwan.

The Company’s operating subsidiaries (the “Operating Subsidiaries”) are engaged in the manufacturing and distribution of telecommunications, power cable and enameled wire products in Singapore, Thailand, Australia, the People’s Republic of China (“PRC”) and other markets in the Asia Pacific region. Major customers of the Operating Subsidiaries include government organizations, electric contracting firms, electrical dealers, and wire and cable factories. The Company’s Operating Subsidiaries also engage in the distribution of certain wire and cable products manufactured by PEWC and third parties. The Company also provides project engineering services in supply, delivery and installation (the “SDI”) of power cable to certain of its customers.

Since 1997, the Company has been a U.S. public company with its common shares registered with the Securities and Exchange Commission (the “SEC” or the “Commission”). On April 29, 2011, the Company’s common shares commenced trading on Nasdaq Capital Market tier. On February 15, 2013, the Company’s common shares started trading on the Nasdaq Global Market tier.

PEWC is currently holding 75.4% of the equity of the Company and is the Company’s ultimate parent company

*Share Capital Repurchase Program*

The Company’s Board of Directors authorized a share capital repurchase program on August 28, 2012. During 2012 and 2013, the Company repurchased 11,100 shares with total considerations of \$38 until the Company suspended the share capital repurchase program as of June 30, 2013. The Company records the value of its common shares held in the treasury at cost.

On August 13, 2014, the Company announced that its Board of Directors authorized the future implementation of a share repurchase program of up to \$1 million worth of its Common Shares. The Company did not announce a commencement date for that future share repurchase program, and, to date, it has not yet been implemented, and no financial liability has been recognized.

## 2. BASIS OF PREPARATION

- 2.1** The consolidated financial statements are prepared in accordance with International Financial Reporting Standard (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on a historical basis except where otherwise disclosed in the accounting policies. The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand (US\$’000), except when otherwise indicated.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2019 and 2018, and the results of operations of the Company and all subsidiaries for the years ended December 31, 2019, 2018 and 2017.

Subsidiaries are fully consolidated from the date of acquisition (the date on which the Company obtains control), and continue to be consolidated until the date that such control ceases. The Company controls an entity when the Company 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 the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive income, statements of changes in equity and balance sheets, respectively. Total comprehensive income (loss) within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- ▶ Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- ▶ Derecognizes the carrying amount of any non-controlling interest
- ▶ Derecognizes the cumulative transaction differences recorded in equity
- ▶ Recognizes the fair value of the consideration received
- ▶ Recognizes the fair value of any investment retained
- ▶ Recognizes any surplus or deficit in profit or loss
- ▶ Reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liability.

**2. BASIS OF PREPARATION (continued)****2.2 Basis of consolidation (continued)**

The subsidiaries of the Company are set out below:

<u>Place of incorporation and operations</u>	<u>Percentage of equity interest</u>	
	<u>2019</u>	<u>2018</u>
<b><u>The British Virgin Islands</u></b>		
APWC General Holdings Limited	100%	100%
PRC (APWC) Holding Ltd.	100%	100%
Samray Inc.	100%	100%
Siam (APWC) Holdings Ltd.	100%	100%
Moon View Ltd.	100%	100%
Trigent Investment Holdings Limited	100%	100%
Crown Century Holdings Ltd.	100%	100%
<b><u>Singapore</u></b>		
Sigma Cable Company (Private) Limited ("Sigma Cable")	98.30%	98.30%
Epan Industries Pte Ltd.	98.30%	98.30%
Singvale Pte Ltd.	100%	100%
<b><u>The People's Republic of China ("PRC")</u></b>		
Ningbo Pacific Cable Co., Ltd. ("Ningbo Pacific")	97.93%	97.93%
Shanghai Yayang Electric Co., Ltd. ("SYE")	68.75%	68.75%
Pacific Electric Wire & Cable (Shenzhen) Co., Ltd. ("PEWS")	97.93%	97.93%
<b><u>Hong Kong</u></b>		
Crown Century Holdings Limited ("CCH (HK)")	97.93%	97.93%
<b><u>Australia</u></b>		
Australia Pacific Electric Cable Pty Limited ("APEC")	98.06%	98.06%
<b><u>Thailand</u></b>		
Charoong Thai Wire and Cable Public Company Limited ("Charoong Thai") (i)	50.93%	50.93%
Siam Pacific Electric Wire & Cable Company Limited ("Siam Pacific")	50.93%	50.93%
Double D Cable Company Limited ("Double D")	50.93%	50.93%
Hard Lek Limited.	73.98%	73.98%
APWC (Thailand) Co., Ltd.	99.48%	99.48%
PEWC (Thailand) Co., Ltd.	99.48%	99.48%
CTW Beta Co., Ltd.	50.89%	50.89%
Siam Fiber Optics Co., Ltd. ("SFO") (ii)	45.84%	30.56%
<b><u>Taiwan</u></b>		
Asia Pacific New Energy Corporation Limited ("APNEC") (iii)	100.00%	100.00%
YASHIN Energy Corporation Limited ("YASHIN") (iii)	100.00%	100.00%
YADING Energy Corporation Limited ("YADING") (iii)	100.00%	100.00%

**2. BASIS OF PREPARATION (continued)**

**2.2 Basis of consolidation (continued)**

- (i) Charoong Thai is listed on the Stock Exchange of Thailand and is engaged in the manufacturing of wire and cable products for the power and telecommunications industries in Thailand.
- (ii) The directors have concluded that the Company controls SFO, even though it holds less than half of the voting rights of this subsidiary. This is because the Company is the largest shareholder with a 50.93% equity interest in Charoong Thai, which held a 90% and 60% equity interest of SFO as of December 31, 2019 and 2018, respectively.

On October 30, 2019, Charoong Thai acquired additional 30% interest in SFO for a total consideration of THB 9 million, thereby increasing the Company's interest in SFO from 30.56% to 45.84%. The Company recorded the effect of change in shareholding of the subsidiaries, amounting to \$40 under the caption of "Additional paid-in capital" in the consolidated statement of change in equity.

- (iii) On June 19, 2018, APWC's Board of Directors approved to set up APNEC as the Company's subsidiary with 100% held. APNEC registered its incorporation on October 26, 2018 with TWD 500 million registered capital and a paid-up capital of TWD 4 million.

In December 2018, APNEC acquired 100% of interest both in YASHIN and YADING from a subsidiary of PEWC at cash consideration of TWD 0.5 million, respectively.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except as mentioned otherwise (see also Note 4.1).

#### 3.1 Current versus non-current classification

The Company presents assets and liabilities in the balance sheets based on current and non-current classification. An asset is current when it is:

Expected to be realized or intended to be sold or consumed in the normal operating cycle;

- ▶ Held primarily for the purpose of trading;
- ▶ Expected to be realized within twelve months after the reporting period; or
- ▶ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

It is expected to be settled in a normal operating cycle;

- ▶ It is held primarily for the purpose of trading;
- ▶ It is due to be settled within twelve months after the reporting period; or
- ▶ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### 3.2 Operating profit

The operating profit is the profit earned from core business operations, and it does not include any profit earned from investment and the effects of interest and taxes.

#### 3.3 Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date. In addition, fair values of financial instruments measured at amortized cost are disclosed in Note 11(d).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3 Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 3.4 Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise of cash at banks and highly liquid investments with purchased maturities of three months or less, which are subject to an insignificant risk of change in value.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents are net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

The balance of bank overdraft was nil as of December 31, 2019 and 2018.

#### 3.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of manufactured goods is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads based on the normal operating capacity. Cost of distributed goods is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and the estimated cost necessary to make the sale.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.6 Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Spare parts and servicing equipment are usually carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them for more than one year.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. A provision shall be recognized when:

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognized.

***Depreciation***

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

▶ Buildings	20-30 years
▶ Building improvement	3-20 years
▶ Machinery and equipment	4-20 years
▶ Motor vehicles	3-10 years
▶ Office equipment	2-20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.6 Property, plant and equipment (continued)**

***Impairment***

If circumstances arise which indicate assets might be impaired, a review should be undertaken of their cash generating abilities through either use or sales. This review will produce an amount, which should be compared with the asset's carrying value, and if the carrying value is higher, the difference must be written off as an impairment adjustment in the income statement. Further detailed methodology used for an impairment test is given in Note 3.11 - Impairment of non-financial assets.

**3.7 Leases**

**From January 1, 2019**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, the Company assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**The Company as a lessee**

The Company, as a lessee, applies a single accounting model to recognize assets and liabilities for all leases, except for the lease term is 12 months or less or the underlying asset has a low value. The Company recognizes lease liabilities to make lease payment and right-of-use assets representing the right to use the underlying assets.

***(i) Right-of-use assets***

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payment made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

▶ Land use right	2 to 37 years
▶ Buildings	2 to 3 years
▶ Motor vehicles	1 to 3 years
▶ Office equipment	5 years

If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies Note 3.11 impairment of non-financial assets.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7 Leases (continued)**

*(ii) Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payment) or a change in the assessment of an option to purchase the underlying asset.

*(iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to its leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

**The Company as a lessor**

Leases for which the Company is a lessor are classified each of its leases as either an operating lease or finance lease.

***Finance lease***

Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset, the lease is classified as a finance lease. Amount due from lessees under finance lease are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

***Operating lease***

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statements due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Property (land and/or a building, or part of a building) subject to an operating lease shall be recognized as an investment property.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7 Leases (continued)**

**Prior to January 1, 2019**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

***Finance leases***

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

***Operating leases***

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms. The prepaid land lease payments are presented as current or non-current assets on the face of balance sheet, depending on the amount to be recognized less or more than twelve months after the reporting period.

**3.8 Borrowing costs**

Borrowing costs are required to be capitalized as part of the cost of the asset if they are directly attributable to the acquisition, construction or productions of a qualifying asset (whether or not the funds have been borrowed specifically). All other borrowing costs are recognized as an expense in the period in which they are incurred.

A qualifying asset is an asset that necessarily takes a substantial period to get ready for its intended use or sale.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Borrowing costs (continued)**

Borrowing costs include:

- ▶ interest expense calculated using the effective interest method;
- ▶ finance charges in respect of finance leases; and
- ▶ exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Exchange differences are generally regarded as borrowing costs only to the extent that the combined borrowing costs, including exchange differences, approximate the amount of borrowing costs on functional currency equivalent borrowings.

For specific borrowings, the borrowing costs eligible for capitalization are the actual borrowing costs incurred related to funds that are borrowed specifically to obtain a qualifying asset less any investment income earned on the temporary investment of those borrowings.

For general borrowings, the capitalization rate applied to borrowing costs on the consolidation level will be based on cash management strategy, which might be the weighted average of the group borrowings outstanding during the period.

**3.9 Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less provisions for depreciation and impairment. Additional costs incurred subsequent to the acquisition of an asset increase the carrying amount of the asset or recognized as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred. While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 20 to 30 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income or loss in the period in which the property is derecognized.

International Accounting Standards (“IAS”) 40 requires disclosures about the fair value of any investment property recorded at cost. See Note 17 – Investment Properties.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments**

**From January 1, 2018**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**(i) Financial assets**

***Classification and measurement***

Except for certain trade receivables, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset. Financial instruments are subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). The classification is based on two criteria: the objective of the company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The classification and measurement of financial assets is as follows:

▶ ***Debt instruments at amortized cost***

Financial assets meeting both conditions: (i) held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequent to initial recognition at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest rate ("EIR") method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and any impairment charges for such instruments are recognized in profit or loss.

The Company's financial assets at amortized costs include cash and cash equivalents, trade receivables, other receivable, and the receivable from related party.

▶ ***Debt instruments at FVOCI with gains or losses recycled to profit or loss on derecognition***

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collecting contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income, foreign exchange gains and losses, and any impairment charges on such instruments are recognized in profit or loss. All other fair value gains and losses are recognized in OCI. On disposal of these debt instruments, any related balance with FVOCI reserve is reclassified to profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

**(i) Financial assets (continued)**

▶ ***Equity instruments designated at FVOCI with no recycling of gains or losses on derecognition***

These instruments are undertakings in which the Company does not have significant influence or control, generally evidenced by ownership of less than 20% of the voting rights. The Company designates these investments on an instrument by instrument basis as equity securities at FVOCI because they represent investments held for long term strategic purposes.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. These investments are not subject to impairment testing and upon disposal, the cumulative gain or loss in OCI is not reclassified to profit or loss on disposal. Dividends from such investments continue to be recognized in profit or loss when the Company's right to receive payments is established.

The Company elected to classify irrevocably its non-listed equity investments under this category.

▶ ***Financial assets at fair value through profit or loss (FVPL)***

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Even if an instrument meets the two requirements to be measured at amortized cost or FVOCI, the Company may, at initial recognition, irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Changes in the fair value of financial assets at FVPL are recognized in the statement of profit or loss as applicable.

***Reclassification***

When, and only, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets according to the classification and measurement criteria discussed earlier. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date and shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

**(i) Financial assets (continued)**

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's consolidated balance sheet) when and only when:

- (a) the rights to receive cash flows from the asset have expired, or
- (b) the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to one or more recipients under a "pass-through" arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates the extent to which, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset and has not transferred the control of the assets, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay ("the guarantee amount").

**(ii) Financial liabilities**

***Classification and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, net of directly attributable transaction costs in the case of loans and borrowings.

The Company's financial liabilities include trade and other payables, bank overdrafts and interest-bearing loans and borrowings. These financial liabilities represent liabilities for goods and services provided to the Company and refund liabilities arising from contracts with customers. Trade payable are non-interest bearing and are normally settled on 60-day terms. The refund liabilities are rebate and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the EIR method.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

**(ii) Financial liabilities (continued)**

***Classification and measurement (continued)***

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

**(iii) Foreign currency forward contracts**

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently re-measured at fair value, and the gains or losses are recognized in profit or loss.

**(iv) Impairment of financial instruments**

The following financial instruments are included within the scope of the impairment requirements in IFRS 9 Financial Instruments:

- (a) Financial assets measured at amortized cost;
- (b) Financial assets mandatorily measured at FVOCI;
- (c) Loan commitments when there is a present obligation to extend credit (except where these are measured at FVPL);
- (d) Financial guarantee contracts to which IFRS 9 is applied (except those measured at FVPL);
- (e) Lease receivables within the scope of IFRS 16 Leases from January 1, 2019 and IAS 17 prior to January 1, 2019.
- (f) Contract assets within the scope of IFRS 15 Revenue from Contracts with Customers.

From January 1, 2018, the Company assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

With the exception of purchased or originated credit impaired financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- (a) credit risk has not increased significantly since initial recognition – recognize 12-month ECLs, and recognize interest on a gross basis; or
- (b) credit risk has increased significantly since initial recognition – recognize lifetime ECL, and recognize interest on a gross basis.

A loss allowance for full lifetime ECLs is required for contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15. The Company may select its accounting policy for contract assets and trade receivables, containing a significant financing component and lease receivables to measure the loss allowance at an amount equal to lifetime ECLs.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 12(c) for further details.

The Company recognizes in profit or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**(v) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if when the following conditions are met: (i) there is a currently enforceable legal right to offset the recognized amounts; and (ii) there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**(vi) Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- ▶ Recent arm's length market transactions
- ▶ Current fair value of another instrument that is substantially the same
- ▶ A discounted cash flow analysis or other valuation models

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

**Prior to January 1, 2018**

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value presented as net loss on financial instruments (negative net changes in fair value) or net gain on financial instruments (positive net changes in fair value) in the income statement.

***Derivatives not designated as hedging instruments***

A derivative is a financial instrument or other contract within the scope of IAS 39 with all of the following characteristics:

- (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’);
- (b) it requires no initial net investment, or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- (c) it is settled at a future date.

Fair value is the measurement basis for all financial instruments meeting the definition of a derivative. Change in fair value of non-hedged item is recorded in profit and loss.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (“EIR”) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the other operating expenses for receivables.

***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income or finance cost in the income statement. The losses arising from impairment are recognized in the income statement as finance costs.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

*Available-for-sale financial assets*

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as finance income using the EIR method.

For a financial asset reclassified out of the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recognized in the income statement.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ The rights to receive cash flows from the asset have expired, or
- ▶ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

**(ii) Impairment of financial assets**

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

***Financial assets carried at amortized cost***

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

***Trade receivables impairment***

For trade receivables, impairment assessment is performed firstly on an individual basis:

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder about the following loss events:

- ▶ significant financial difficulty of the issuer or obligor;
- ▶ breach of contract, such as a default or delinquency in interest or principal payments;
- ▶ the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that would not otherwise be considered;
- ▶ it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- ▶ the disappearance of an active market for that asset because of financial difficulties (but not simply because the asset is no longer publicly traded); or
- ▶ observable data indicating that there is a measurable decrease in the estimated future cash flows from a Company of financial assets since initial recognition, although the decrease cannot yet be identified with the individual assets in the Company, including:
  - adverse changes in the payment status of borrowers in the Company (e.g. an increased number of delayed payments); or
  - national or local economic conditions that correlate with defaults on the assets in the Company.

For trade receivables that have been individually assessed, but for which there is no objective evidence of impairment, the review for impairment is performed on a group basis, based on similar credit risk characteristics.

***Available-for-sale financial assets***

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Company's policy considers a significant decline to be one in which the fair value is below the weighted average original cost by more than 20%. A prolonged decline is considered to be one in which the fair value is below the weighted average original cost for a period of more than 12 months. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

*Available-for-sale financial assets(continued)*

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

**(iii) Financial liabilities**

*Financial liabilities initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts and interest-bearing loans and borrowings.

*Subsequent measurement*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

**(iv) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

**(v) Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- ▶ Using recent arm's length market transactions
- ▶ Reference to the current fair value of another instrument that is substantially the same
- ▶ A discounted cash flow analysis or other valuation models

**3.11 Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the income statement in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12 Intangible assets**

*Computer software*

The costs of acquiring software is capitalized separately as an intangible asset on the basis of the costs incurred to acquire and bring to use the specific software. Acquired software (licenses) is stated at cost less accumulated amortization and impairment losses.

Amortization of software applications is charged to operating expenses and/or cost on a straight-line basis over 2 to 10 years from the date they are available for use.

The residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate.

**3.13 Taxes**

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ▶ When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- ▶ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.13 Taxes**

*Deferred tax (continued)*

- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Uncertain tax position*

An entity's tax position might be uncertain; for example, where the tax treatment of an item of expense or structured transaction may be challenged by the tax authorities.

The Company considers each uncertain tax positions individually, by first considering whether each position taken in the tax return is probable of being sustained on examination by the taxing authority, and recognizing a liability for each item that is not probable of being sustained. The liability then is measured using a single best estimate of the most likely outcome. The uncertain tax positions are presented in the current tax liabilities.

The Company recognizes interest expense and penalties related to income tax matters as a component of income tax expense.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.14 Revenue recognition**

The Company generates revenue primarily from the sales of wires and cables and supply, delivery and installation services to its customers (see Note 5(e)).

Revenue from contract with customers is recognized when (or as) control of the goods or services (i.e. assets) are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. The Company has certain contracts with customers to perform fabrication services for its customers, converting customer-owned raw materials to wire and cable products. The Company is responsible for fulfilling the promise to provide the specified services.

Revenue is recognized as control is passed, either over time or at a point in time.

The Company recognizes revenue over time if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the entity performs;
- (b) the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If the Company does not satisfy its performance obligation over time, it satisfies it at a point in time. Revenue will therefore be recognized when control is passed at a certain point in time. Factors that may indicate the point in time at which control passes include, but are not limited to:

- (a) the entity has a present right to payment for the asset;
- (b) the customer has legal title to the asset;
- (c) the entity has transferred physical possession of the asset;
- (d) the customer has the significant risks and rewards of ownership of the asset; or
- (e) the customer has accepted the asset.

When (or as) a performance obligation is satisfied, the Company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

While deferred payment terms may be agreed in certain circumstances, the deferral never exceeds twelve months. The Company applies the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.14 Revenue recognition (continued)**

*Sales of wires and cables*

Revenue from sales of wires and cables is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the wires and cables.

*Variable consideration*

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at a contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if a Company's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

The Company estimates an amount of variable consideration by using either of (a) the expected value, or (b) the most likely amount, depending on which the Company expects to better predict the amount of consideration to which it will be entitled.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. The Company allocates any subsequent changes in the transaction price to the performance obligations on the same basis as at contract inception.

*SDI*

The Company's supply, delivery and installation services are closely interrelated in terms of their ultimate purpose or use and the customer is able to specify the major structural elements of the design. Revenue from SDI is recognized when the Company satisfies performance obligations which occurs when the control of either goods or services are transferred to the customer. Transfer of control to a customer can occur either over a period of time or at a single point in time, and the transfer of controls depends on the scope of service work orders.

Service work order that involves supply of cables, installation and/or labor (e.g. maintenance or repairing service) are not distinct and are identified to be one performance obligation satisfied over time since the elements of the service work order are highly interrelated, customized and modified for the customer. The Company selects an input method (cost-to-cost) to measure the progress toward satisfaction of the performance obligation. The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation may revise when there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.14 Revenue recognition (continued)**

***Custodial and transportation services under bill and hold arrangement***

A bill and hold arrangement is a contract under which an entity bills a customer for a product but the entity retains physical possession of the product until it is transferred to the customer at a point in time in the future. The Company identifies multiple performance obligations for its bill and hold arrangements, including sales of wires and cables, custodial service and transportation service.

Sales of wires and cables are recognized revenue when the products are placed into warehouse and the customer has accepted the products because the control of the products has transferred to the customer.

Custodial service revenue and transportation service are recognized over time. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and released on actual basis over the period of services.

***Onerous operating contracts***

Onerous contract is a type of contract in which the costs of meeting the obligations under the contract are higher than the economic benefits received under the contract.

The Company has contracts to supply products that may become onerous due to changing circumstances. The Company establishes the unavoidable costs of meeting the obligations under the contract as an accrued liability for the contractual responsibilities. For example, when rising copper price renders a contract onerous, the liability is calculated based on the difference between the copper price on the London Metal Exchange (the "LME") at reporting date and the prices determined in the contracts, if the difference exceeds the profit of the original contract. The unavoidable costs exceeding the profit of the contract is recognized in cost of sales or other operating expense based on the nature of the unavoidable costs.

**Prior to January 1, 2018**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The specific recognition criteria described below must also be met before revenue is recognized.

***Sales of manufactured goods and distributed products***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.14 Revenue recognition (continued)**

***SDI***

The Company's supply, delivery and installation services are closely interrelated in terms of their ultimate purpose or use and the customer is able to specify the major structural elements of the design. Revenue of SDI is accounted for using the percentage-of-completion method, based on the customer certification of the length of cables laid with respect to the estimated total length of cables under the contract in accordance with IAS 11.

When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is made. Provision for losses is recognized in the period in which they become evident. On a quarterly basis, the Company reviews the budget and forecast whether a loss provision should be recorded.

***Bill and hold transaction***

The Company recognizes revenue from sales of goods under bill and hold arrangements when they have yet to be delivered, since delivery is delayed at the buyer's request and the buyer takes title and accepts the billing and that the usual terms of payment apply.

Moreover, the inventory is on hand, clearly identified and ready for delivery to the buyer at the time the revenue is recognized and it is highly probable that delivery will be made.

Sales of goods under bill and hold arrangements are the invoiced value, excluding value added tax after deducting discounts and allowances.

***Rebates***

Based on IAS 18, the amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Consequently, where an entity provides sales incentives to a customer when entering into a contract these are usually treated as rebates and will be included in the measurement of (i.e. deducted from) revenue when the goods are delivered or services provided.

Provisions for rebates based on attainment of sales targets are estimated and accrued as each of the underlying sales transactions is recognized.

Provision for rebate should only be recorded when there is a contractually formal signed rebate contract exists.

At interim dates, if no reliable estimate can be made, the revenue recognized on the transaction should not exceed the consideration that would be received if the maximum rebates were taken. Therefore, the Company assumes that the customers will achieve the necessary sales volume target to earn the maximum rebate. The provisions are subject to continuous review and adjustment as appropriate based on the most recent information available to management.

As of the balance sheet date, the Company recalculates and adjusts the provision for rebate based on the actual sales.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.15 Foreign currencies**

The Company's consolidated financial statements are presented in USD, which is also the parent company's functional currency. For each entity the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

***Transactions and balances***

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

***Translation to the presentation currency***

The results and financial position of an entity whose functional currency are translated into a different presentation currency using the following procedures:

- a. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b. income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions;
- c. all resulting exchange differences shall be recognized in other comprehensive income; and
- d. for equity items, the historical rate is used; therefore, these equity items are not retranslated.

***PEWSC functional currency change***

Due to the increased sales to the domestic market in recent years, USD no longer faithfully represented the underlying transactions events and conditions of PEWSC in 2018. Management concluded that RMB should be the functional currency of PEWSC beginning on the financial year January 1, 2018.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.16 Employee benefits**

The Company has both defined contribution and defined benefit obligation. The liabilities of the Company arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method.

For defined benefit plans, the cost charged to the income statement consists of current service cost, net interest cost and past service cost. Remeasurements comprising of actuarial gains and losses are recognized in the period in which they occur, directly in other comprehensive income. They are included in other comprehensive income in the statement of changes in equity and in balance sheet. Remeasurements are not reclassified to profit or loss in subsequent periods. Contributions to defined contribution plans are charged to the income statement as incurred. All past service costs are recognized at the earlier of when the amendment occurs.

***Compensated absence***

The cost of accumulating paid absences is recognized when employees render the service that increases their entitlement to future paid absences.

The cost of accumulating paid absences is measured as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

**3.17 Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held.

In calculating diluted EPS, the number of shares should be that used in calculating the basic EPS, plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential common shares into common shares. The earnings figure should be that used for basic EPS adjusted to reflect any post-tax effects from changes that would arise if the potential shares outstanding in the period were actually issued.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.18 Treasury shares**

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified and no dividends are allocated to them.

**3.19 Investments in an associate**

The Company's investment in its associates are accounted for using the equity method. An associate is an entity in which the Company has significant influence. Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. When there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share of profit or loss of an associate is shown on the face of the income statement and represents profits or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in share of losses of associates in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.20 Government grant**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as other income on a systematic basis over the periods that the related costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as a liability in equal amounts over the expected useful life of the related asset.

The government grants received during 2019 and 2018 were immaterial. See Note 22 for further details.

**3.21 Non-current assets held for sale**

The Company classifies non-current assets and disposal groups as held for sale/distribution to owners if their carrying amounts will be recovered principally through a sale/distribution rather than through continuing use. Non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale/distribution to owners are not depreciated or amortized.

When equity method investments are classified as held for sale, the investor discontinues the use of the equity method from the date that the investment (or the portion of it) is classified as held for sale; instead, the associate or joint venture is then measured at the lower of its carrying amount and fair value less cost to sell.

**3.22 Finance and other income**

***Interest income***

Interest revenue shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

***Rental income***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

***Dividends***

Revenue is recognized when the company's right to receive the payment is established, which is generally when shareholders approve the dividend.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.23 Significant accounting judgements, estimates and assumptions**

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Revenue recognition - identifying single performance obligation in SDI projects*

SDI projects comprise various activities such as supply cables, installation, jointing services and testing services. Those tasks are activities to fulfil the cable management service (supply and installation) and not a separate promise within the context of the contract. The Company determines the supply cables and installation services are not capable of being distinct and identifies to be one performance obligation because of (i) the customer could not benefit from the installed cables on its own, neither using it or to sell it for an amount greater than scrap value; (ii) the Company is providing a significant integration service, and it would not be able to fulfil its promise to transfer the cables separately from its promise to the subsequent installation; (iii) the cables and installation are highly interrelated, and the customer could not benefit from the cables being delivered without subsequent installation.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.23 Significant accounting judgements, estimates and assumptions (continued)**

*Impairment of non-financial assets*

At each reporting date or whenever events indicate that the asset's value has declined or significant changes in the market with an adverse effect have taken place, the Company assesses whether there is an indication that an asset in the scope of IAS 36 may be impaired. If any indication exists, the Company completes impairment testing for the CGU to which the individual assets belong. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount of an individual asset or CGU is the higher of fair value less costs to sell and its value in use. The fair value less costs of disposal calculation is based on available data from binding sale arrangements, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposal of the assets. The value in use is measured at the net present value of the future cash flows the entity expects to derive from the asset or CGU. Cash flow projection involves subjective judgments and estimates which include the estimated useful lives of property, plant and equipment, capacity that generates future cash flows, capacity of physical output, potential fluctuations of economic cycle in the industry and the Company's operating situation. See Note 15 – Property, Plant and Equipment.

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 11 for more details.

*Measurement of ECL allowance for trade receivables*

The Company applies the IFRS 9 simplified approach to measure lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of the sales over a period of 36 month before December 31, 2019 and the historical credit loss experience within this period. The historical loss rates are adjusted to reflect current and forward-looking information on general economic conditions affecting the ability of the customers to settle the receivables. The Company has identified the default rate of the countries where it sells the goods and services as the most relevant factor and adjusts the historical loss rates based on the expected changes accordingly.

Refer to Note 12 and Note 27 for more information regarding the impairment of trade receivables and the related credit risks.

*Net realizable value of inventory*

Net realized value is the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sale. Management makes reference to actual sales prices after reporting date when making their estimate of net realizable value.

Refer to Note 13 for more information regarding the net realizable value of inventory.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.23 Significant accounting judgements, estimates and assumptions (continued)**

*Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the taxing authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the companies.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

As of December 31, 2019, the Company has \$20,580 (2018: \$16,762) of tax losses carried forward. These losses related to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Company except for \$546 (2018: \$644) that will be realized. The subsidiaries do not have any tax planning opportunities available that could support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

If the Company was able to recognize all unrecognized deferred tax assets, profit and equity would have increased by \$5,068 (2018: \$3,876; 2017: \$3,947). Further details on taxes are disclosed in Note 8.

*Post-employment benefits under defined benefit plans*

In accordance with the Thailand labor law, Charoong Thai and its subsidiaries are obliged to make payment to retiring employees, at rate of 1 to 13 times of their final monthly salary rate, depending on the length of service. In addition, Charoong Thai also has the extra benefit plan to make payment to qualified retiring employees at rates of 1 to 26 times of their final monthly salary.

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the inactive corporate bond trading in Thailand, taken into account the yields on Thai Government Bonds and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on most recent mortality investigation on policyholders of life insurance companies in Thailand. Future salary increases and pension increases are based on expected future inflation rates derived from external economic data, together with historical experience of Charoong Thai.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 21.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.23 Significant accounting judgements, estimates and assumptions (continued)**

*Revenue recognition of SDI projects*

Changes in percentage of completion would result in changes in contract revenue and costs recognized in the statement of comprehensive income during the year. Significant estimation by management is also required in assessing the recoverability of the contracts based on estimated total contract revenue and contract costs. In making the estimation, management's evaluation is based on the actual level of work performed and past experience.

The carrying amount of the Company's gross amounts due from customers for contract work-in-progress is disclosed in Note 14.

#### 4. NEW STANDARDS AND INTERPRETATIONS

##### 4.1 Recently applied accounting pronouncements

###### (a) New and amended standard applied effective in 2019

The Company has initially applied IFRS 16 from January 1, 2019. The nature and effect of the changes as a result of application of the new accounting standard is described below.

###### *IFRS 16 Leases*

IFRS 16 supersedes IAS 17, *Leases* and related interpretation, and it sets out the requirements for the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting still uses the dual classification approach to classify each lease as an operating lease or a finance lease.

The Company applied IFRS 16 initially on January 1, 2019 using the modified retrospective method. In accordance with the IFRS 16 transition guidance, the cumulative effect of adopting the new standard is recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

Upon the application of IFRS 16 on January 1, 2019, the Company applied the following practical expedients permitted by the standard:

- ▶ the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- ▶ the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- ▶ the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- ▶ the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**4. NEW STANDARDS AND INTERPRETATIONS (continued)****4.1 Recently applied accounting pronouncements (continued)**

The significant effects of adopting the IFRS 16 as of January 1, 2019 are summarized as below:

Affected items of consolidated balance sheet	As of December	Effect of	As of January 1,	Remarks
	31, 2018	application of	2019	
	US\$'000	new standards	US\$'000	
<b>Assets</b>				
Prepayments	1,140	(59)	1,081	B
Lease assets*	66	(66)	—	A
Right-of-use assets	—	3,801	3,801	A, B, C
Prepaid land lease payments	978	(978)	—	B
<b>Total affected assets</b>	<b>2,184</b>	<b>2,698</b>	<b>4,882</b>	
<b>Liabilities</b>				
Financial lease liabilities - current	44	362	406	C
Financial lease liabilities - non-current	46	2,336	2,382	C
<b>Total affected liabilities</b>	<b>90</b>	<b>2,698</b>	<b>2,788</b>	

\* included in the line "Property, plant and equipment" in the balance sheet

- A. Lease assets of \$66 previously recognized under finance leases were reclassified from property, plant and equipment to right-of-use assets.
- B. Prepaid land lease payments of \$59 and \$978 previously classified as prepayment under current assets and prepaid land lease payments under non-current assets were reclassified to right-of-use assets.
- C. The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases under IAS 17, except for short-term leases and leases of low-value asset. The Company recognized right-of-use assets based on the amount equal to the lease liabilities. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019.

Additionally, operating cash flows increased and financing cash flows decreased by \$354 for the year ended December 31, 2019 as repayments on the principal portion of non-finance lease liabilities were classified as cash flows from financing activities for the year ended December 31, 2019, where previously it was classified as operating cash flows.

**4. NEW STANDARDS AND INTERPRETATIONS (continued)****4.1 Recently applied accounting pronouncements (continued)**

Reconciliation of IAS 17 non-cancelled operating lease commitment to IFRS 16 lease liability:

	<u>2019</u>
	US\$'000
Operating lease commitments disclosed as at December 31, 2018	3,263
Add: finance lease liabilities recognized as at December 31, 2018	90
Discounted using the incremental borrowing rate at January 1, 2019	(380)
Recognition exemption for:	
Short-term leases	(169)
Leases of low-value assets	(16)
<b>Lease liabilities recognized as at January 1, 2019</b>	<u><u>2,788</u></u>

As of January 1, 2019, the weighted average discount rate was 3.48%.

**(b) New and amended standard applied effective in 2018**

The Company has initially applied IFRS 15 and IFRS 9 from January 1, 2018. The nature and effect of the changes as a result of adoption of these new accounting standard are described below.

***IFRS 15 Revenue from contracts with customers***

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretation, and it applies with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires the revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard retrospectively only to contracts that are not completed as of January 1, 2018. The Company opted to apply the practical expedient for contract modification to all modifications that occurred before the date of initial application.

The cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

***IFRS 9 Financial Instruments***

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.



**4. NEW STANDARDS AND INTERPRETATIONS (continued)****4.1 Recently applied accounting pronouncements (continued)**

The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9 as of January 1, 2018. The comparative information has not been restated which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings and other components of equity.

The significant effects of adopting the new standards as of January 1, 2018 are summarized as below:

Affected items of consolidated balance sheet	As of December 31, 2017	Effect of application of new standards	As of January 1, 2018	Remarks
	US\$'000	US\$'000	US\$'000	
<b>Assets</b>				
Contract assets - current	—	162	162	A
Gross amounts due from customers for contract work-in-progress	162	(162)	—	A
Trade receivables	112,403	16	112,419	C
Financial assets – available for sale	2,747	(2,747)	—	B
Financial assets at fair value through other comprehensive income	—	2,747	2,747	B
Deferred income tax assets	3,022	4	3,026	D
<b>Total affected assets</b>	<u>118,334</u>	<u>20</u>	<u>118,354</u>	
<b>Liabilities</b>				
Contract liabilities - current	—	113	113	E
<b>Total affected liabilities</b>	<u>—</u>	<u>113</u>	<u>113</u>	
<b>Equity</b>				
Retained earnings	53,350	(93)	53,257	B, C, D, E
<b>Total affected equity</b>	<u>53,350</u>	<u>(93)</u>	<u>53,257</u>	
<b>Total affected liabilities and equity</b>	<u>53,350</u>	<u>20</u>	<u>53,370</u>	

- A. In accordance with IFRS 15, the Company reclassified gross amounts due from customers for contract work-in-progress in the amount of \$162 to contract assets as of January 1, 2018.
- B. Equity investments in non-listed equity investments previously classified as available-for-sale financial assets were reclassified and measured as financial assets at FVOCI because these investments are held as long-term strategic investments purpose. As a result, assets with fair value of \$2,747 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of \$1,717 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on January 1, 2018, of which \$843 was related to non-controlling interests.
- C. The application of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for trade receivable by replacing IAS 39's incurred loss approach with a forward looking ECL approach. Upon application of IFRS 9, the Company reversed impairment on trade receivables by \$16. As a result, trade receivables and retained earnings increased by \$16.
- D. The Company recognized deferred income tax assets for the temporary differences arising from the adjustments upon initial application of IFRS 9 and IFRS 15. Deferred income tax assets and retained earnings both increased by \$4.

## 4. NEW STANDARDS AND INTERPRETATIONS (continued)

## 4.1 Recently applied accounting pronouncements (continued)

E. In accordance with IFRS 15, the Company's performance obligation to provide custodial and transportation services are recognized as contract liabilities under bill-and-hold agreements. After adopting IFRS 15, the Company recognizes revenue from custodial services over time and transportation revenue upon delivery. As of January 1, 2018, the balance of contract liabilities increased by \$113, and retained earnings decreased by \$113.

The following tables summarized the impacts of adopting IFRS 15 on the consolidated income statement for the year ended December 31, 2018 and its consolidated balance sheet as of December 31, 2018 for each of the line items affected. There was no material impact on the consolidated statement of cash flows for the year ended December 31, 2018.

Affected items of consolidated income statement  
for the year ended December 31, 2018

	As reported	Adjustments	Amounts without application of IFRS 15
	US\$'000	US\$'000	US\$'000
Revenue	425,940	(26)	425,914
<b>Gross profit</b>	<b>36,248</b>	<b>(26)</b>	<b>36,222</b>
<b>Operating profit</b>	<b>8,684</b>	<b>(26)</b>	<b>8,658</b>
<b>Profit before tax</b>	<b>11,332</b>	<b>(26)</b>	<b>11,306</b>
Income tax expense	(3,886)	5	(3,881)
<b>Profit for the year</b>	<b>7,446</b>	<b>(21)</b>	<b>7,425</b>

Affected items of consolidated balance sheet  
as of December 31, 2018

	As reported	Adjustments	Amounts without application of IFRS 15
	US\$'000	US\$'000	US\$'000
Assets			
Contract assets - current	1,460	(1,460)	—
Gross amounts due from customers for contract work-in-process	—	1,460	1,460
Deferred income tax assets	3,919	(18)	3,901
<b>Total affected assets</b>	<b>5,379</b>	<b>(18)</b>	<b>5,361</b>
Liabilities			
Other current liabilities	3,272	(88)	3,184
<b>Total affected liabilities</b>	<b>3,272</b>	<b>(88)</b>	<b>3,184</b>
Equity			
Retained earnings	55,016	34	55,050
Foreign currency translation reserve	(15,251)	1	(15,250)
Non-controlling interests	71,788	35	71,823
<b>Total affected equity</b>	<b>111,553</b>	<b>70</b>	<b>111,623</b>
<b>Total affected liabilities and equity</b>	<b>114,825</b>	<b>(18)</b>	<b>114,807</b>

#### 4. NEW STANDARDS AND INTERPRETATIONS (continued)

##### 4.1 Recently applied accounting pronouncements (continued)

Prior to the application of IFRS 15, the Company recognized revenue based on the accounting treatment of the sales of goods for bill and hold transactions. In accordance with IFRS 15, the Company allocated the transaction prices to those custodial and transportation services under bill and hold transactions, and recognizes revenues from custodial and transportation services only when the services fulfilled. As a result, the Company will recognize contract liabilities and adjusted related deferred income tax assets and equity accordingly.

Reclassifications are made to reflect the terms used under IFRS 15. Amounts previously presented in “Gross amounts due from customers for contract” are reclassified into “contract assets-current”.

##### 4.2 New accounting pronouncements not effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

##### ***Sales or contribution of assets between an investor and its associate or joint venture-Amendments to IFRS 10 and IAS 28***

In September 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*, entitled *Sales or Contribution of Assets between an Investor and its Associate or Joint Ventures*. These narrow scope amendments clarify, that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. On December 17, 2015, the IASB issued an amendment that postpones the application of the amendments to IFRS 10 and IAS 28 indefinitely.

The Company does not expect the amendments to have an impact on its consolidated financial statements.

##### ***Definition of a business: Amendments to IFRS 3***

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendment applies to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

##### ***Definition of material: Amendments to IAS 1 and IAS 8***

In October 2018, the IASB issued amendments of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of “material” across the standards and to clarify certain aspects of the definition. The new definition states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific report entity.” The amendments take effect for materiality judgements made in annual periods beginning on or after January 1, 2020, and are applied prospectively. Earlier application is permitted (the entity must disclose that fact).

The Company does not expect the amendments to have an impact on its consolidated financial statements.

**4. NEW STANDARDS AND INTERPRETATIONS (continued)**

**4.2 New accounting pronouncements not effective (continued)**

***Classification of liabilities as current or non-current: Amendments to IAS 1***

On January 23, 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

They:

- ▶ clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting date and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- ▶ clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- ▶ make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted.

The amendment could affect the classification of liabilities, particularly for previously considered management's intention to determine classification and for some liabilities that can be converted into equity. The Company is based on the contractual arrangement in place at the reporting date for the classification, thus, the Company does not expect the amendment to have an impact on its consolidated financial statements.

**5. SEGMENT INFORMATION****5(a) Basis of segments**

Each segment engages in business activities which generate revenues and incur expenses. Based upon the information provided to the Company's chief operating decision maker ("CODM") to make decisions on resource allocation and operating performance evaluation, the Company has determined that it has three reportable segments.

The Company organizes its business segments along reporting lines and has three operating segments, consisting of the North Asia region, the Thailand region and the Rest of the World ("ROW") region. The Company considers the economic characteristics similarity in determining the reportable segments.

As the three operating segments exceed the quantitative thresholds, they are also reportable segments. The accounting policies for segment information, including transactions entered between segments are generally the same as those described in the summary of significant accounting policies.

During 2018, CODM changed the measures of profitability by operating segments, replacing gross profit and gross profit margin with operating profit (loss) and operating profit (loss) margin. This change reflects a better explanation of the elements of performance. This change has been applied to comparative figures for 2017 presented in this document.

Inter-segment revenues are eliminated upon consolidation and reflected in the "adjustments and eliminations" column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

**5(b) Information about reportable segments**

Year ended December 31, 2019	North Asia	Thailand	ROW	Total segments	Corporate expense adjustments and eliminations	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenues						
External customers	76,575	172,379	89,206	338,160	—	338,160
Inter-segment	—	6	—	6	(6)	—
Segment operating profit/(loss)	1,237	3,042	(1,659)	2,620	(2,884)	(264)
Depreciation and amortization	(811)	(2,842)	(1,613)	(5,266)	(58)	(5,324)
Depreciation from right of use assets	(44)	—	(441)	(485)	(22)	(507)
Impairment of property, plant and equipment	(549)	3	—	(546)	—	(546)
Interest income	57	403	45	505	1	506
Interest expense	(239)	(481)	(102)	(822)	(23)	(845)
Income tax (expense)/benefit	(561)	(1,235)	105	(1,691)	(366)	(2,057)
<b>Other disclosures</b>						
Capital expenditure	552	4,590	242	5,384	78	5,462

**5. SEGMENT INFORMATION (continued)****5(b) Information about reportable segments (continued)**

Year ended December 31, 2018	North Asia	Thailand	ROW	Total segments	Corporate expense adjustments and eliminations	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenues</b>						
External customers	103,647	213,424	108,869	425,940	—	425,940
Inter-segment	4,076	392	6,308	10,776	(10,776)	—
Segment operating profit/(loss)	5,234	9,539	(2,306)	12,467	(3,143)	9,324
Depreciation and amortization	(829)	(2,836)	(1,333)	(4,998)	(20)	(5,018)
Impairment of property, plant and equipment	—	(11)	—	(11)	—	(11)
Interest income	117	611	42	770	(288)	482
Interest expense	(397)	(748)	(34)	(1,179)	(21)	(1,200)
Income tax (expense)/benefit	(1,212)	(2,152)	384	(2,980)	(906)	(3,886)
<b>Other disclosures</b>						
Capital expenditure	1,188	2,859	451	4,498	10	4,508
<b>Year ended December 31, 2017</b>						
	North Asia	Thailand	ROW	Total segments	Corporate expense adjustments and eliminations	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenues</b>						
External customers	101,533	206,485	117,197	425,215	—	425,215
Inter-segment	890	1,044	—	1,934	(1,934)	—
Segment operating profit/(loss)	3,256	11,053	1,205	15,514	(3,074)	12,440
Depreciation and amortization	(979)	(2,760)	(1,314)	(5,053)	(3)	(5,056)
Impairment of property, plant and equipment	(213)	(10)	—	(223)	—	(223)
Interest income	51	845	61	957	(81)	876
Interest expense	(428)	(553)	(52)	(1,033)	67	(966)
Income tax (expense)/benefit	(1,395)	(2,727)	(342)	(4,464)	(676)	(5,140)
<b>Other disclosures</b>						
Capital expenditure	991	3,332	590	4,913	—	4,913

**Adjustments and eliminations**

Corporate expenses, gain on disposal of investment, and share of gain (loss) of associates are not allocated to individual segments as the underlying instruments are managed on a group basis.

**5. SEGMENT INFORMATION (continued)****5(c) Reconciliation of segment operating profit (loss)**

	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Segment operating profit	2,620	12,467	15,514
Corporate expenses adjustments and eliminations	(2,884)	(3,143)	(3,074)
	(264)	9,324	12,440
Other operating income	385	805	5,084
Other operating expenses	(770)	(1,445)	(909)
Operating profit	(649)	8,684	16,615
Finance costs	(1,012)	(1,378)	(1,221)
Finance income	506	482	876
Share of loss of associates	(3)	(3)	(3)
Loss on liquidation of subsidiary	—	—	(261)
Exchange gain	1,550	1,741	2,784
Other income	717	1,817	214
Other expense	(3)	(11)	(336)
Profit before tax	1,106	11,332	18,668

**5(d) Segment assets and liabilities**

	North Asia	Thailand	ROW	Total segments	Corporate adjustments and eliminations	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As of December 31, 2019</b>						
Total assets	49,379	165,579	76,618	291,576	7,335	298,911
Total liabilities	14,212	26,706	21,834	62,752	7,724	70,476
<b>As of December 31, 2018</b>						
Total assets	54,250	173,398	70,574	298,222	7,576	305,798
Total liabilities	20,169	42,887	14,015	77,071	6,911	83,982

**Reconciliation of assets:**

	As of December 31,	
	2019	2018
	US\$'000	US\$'000
<b>Segment operating assets</b>	<b>291,576</b>	<b>298,222</b>
Corporate and other assets	2,466	2,869
Investment in associates	935	864
Deferred tax assets	3,939	3,919
Inter-segment elimination	(5)	(76)
<b>Total assets</b>	<b>298,911</b>	<b>305,798</b>

**5. SEGMENT INFORMATION (continued)****5(d) Segment assets and liabilities (continued)****Reconciliation of liabilities:**

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
	US\$'000	US\$'000
<b>Segment operating liabilities</b>	62,752	77,071
Corporate liabilities	3,591	3,019
Deferred tax liabilities	4,139	3,925
Inter-segment elimination	(6)	(33)
<b>Total liabilities</b>	<b>70,476</b>	<b>83,982</b>

**5(d-1) The application of IFRS 16 increased the segment assets and liabilities as below:**

	<b>North Asia</b>	<b>Thailand</b>	<b>ROW</b>	<b>Total segments</b>	<b>Corporate adjustments and eliminations</b>	<b>Consolidated</b>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As of December 31, 2019</b>						
Assets	—	—	2,506	2,506	192	2,698
Liabilities	—	—	2,552	2,552	205	2,757

**5(e) Disaggregated revenues and geographical information**

The Company's disaggregated revenues transitioned from reporting of Manufactured Products, Distributed Products and SDI segments in 2017 to reporting of Power, Enamel and Others product lines in 2018. The updated reporting of results best reflects the relevant information and granularity desired by all stakeholders to conduct decisions and operations. Reported results of Power, Enamel and Others product lines provide improved understanding and insight to the performance of the Company and its products and services.

Revenue from external customers is summarized as the following major categories:

	<b>North Asia</b>	<b>Thailand</b>	<b>ROW</b>	<b>Total segments</b>	<b>Corporate expense adjustments and eliminations</b>	<b>Consolidated</b>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Year ended December 31, 2019</b>						
<b>Revenue from external customers</b>						
Power	—	49,493	78,686	128,179	—	128,179
Enamel	76,575	102,997	—	179,572	—	179,572
Others*	—	19,889	10,520	30,409	—	30,409
	<u>76,575</u>	<u>172,379</u>	<u>89,206</u>	<u>338,160</u>	<u>—</u>	<u>338,160</u>
<b>Timing of revenue recognition</b>						
At a point in time	76,575	172,031	82,584	331,190	—	331,190
Over time	—	348	6,622	6,970	—	6,970
	<u>76,575</u>	<u>172,379</u>	<u>89,206</u>	<u>338,160</u>	<u>—</u>	<u>338,160</u>

\* includes revenues from SDI service contracts, fabrication service contracts, and sale of other wires and cables products.



## 5. SEGMENT INFORMATION (continued)

## 5(e) Disaggregated revenues and geographical information (continued)

Year ended December 31, 2018	North Asia	Thailand	ROW	Total segments	Corporate expense adjustments and eliminations	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue from external customers</b>						
Power	—	64,771	92,130	156,901	—	156,901
Enamel	103,647	114,247	—	217,894	—	217,894
Others*	—	34,406	16,739	51,145	—	51,145
	<u>103,647</u>	<u>213,424</u>	<u>108,869</u>	<u>425,940</u>	<u>—</u>	<u>425,940</u>
<b>Timing of revenue recognition</b>						
At a point in time	103,647	213,212	92,133	408,992	—	408,992
Over time	—	212	16,736	16,948	—	16,948
	<u>103,647</u>	<u>213,424</u>	<u>108,869</u>	<u>425,940</u>	<u>—</u>	<u>425,940</u>

\* includes revenues from SDI service contracts, fabrication service contracts, and sale of other wires and cables products.

The Company recognizes no revenues from performance obligations satisfied in previous years in 2019 and 2018.

	Year ended December 31, 2017
	US\$'000
Manufactured Products	361,853
Distributed Products	41,985
SDI	21,377
<b>Total Revenue</b>	<b><u>425,215</u></b>

Revenue from external customers is attributed to individual countries based on the customer's country of domicile and is summarized as follows:

	For the year ended December 31,		
	2019 US\$'000	2018 US\$'000	2017 US\$'000
Revenues from external customers			
Thailand	116,160	154,207	158,565
Singapore	46,218	63,781	76,453
Australia	34,447	37,594	34,901
China	81,813	111,917	108,561
India	36,121	45,008	31,291
Southeast Asia	23,390	13,339	15,394
Northeast Asia	11	94	50
	<u>338,160</u>	<u>425,940</u>	<u>425,215</u>

Countries in the Southeast Asia region include Cambodia, Vietnam, Indonesia, Brunei, Laos, Malaysia and Myanmar; countries in the Northeast Asia region include Japan and South Korea.

**5. SEGMENT INFORMATION (continued)****5(e) Disaggregated revenues and geographical information (continued)****Major customer information**

Revenue from one customer in the Thailand region amounted to \$23,118 represented 6.84% of 2019 consolidated revenue. Revenue from another customer in the ROW region amounted to \$37,197 in 2018 and \$36,518 in 2017 represented 8.73% and 8.59% of 2018 and 2017 consolidated revenue, respectively.

**Non-current assets information**

The total non-current assets other than financial instruments and deferred tax assets broken down by the country of domicile are summarized as follow:

	As of December 31,	
	2019	2018
	US\$'000	US\$'000
Non-current assets by country:		
Thailand	32,723	28,407
Singapore	7,869	5,868
China	5,661	6,592
Australia	2,661	2,684
Other	290	54
<b>Total non-current assets</b>	<b>49,204</b>	<b>43,605</b>

**6. MATERIAL PARTLY-OWNED SUBSIDIARIES****6(a) Material subsidiaries**

The Company has subsidiaries with material non-controlling interests (“NCI”). Information regarding the subsidiaries is as follows:

Proportion of equity interest held by NCI:

Name	Country of incorporation and operation	As of December 31,	
		2019	2018
Charoong Thai and its subsidiaries (“CTW Consolidated”)	Thailand	49.07%	49.07%
SYE	China	31.25%	31.25%

From APWC group perspective, SYE is considered an entity with material non-controlling interests and should be separated from Charoong Thai group.

**6(b) Summarized financial information about the subsidiaries**

The summarized financial information of the subsidiaries is provided below. This information is based on amounts before inter-company eliminations:

Summarized income statements	CTW consolidated		
	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Revenue	172,385	213,424	207,529
Profit before tax	4,352	11,736	12,985
Income tax expense	(1,235)	(2,150)	(2,727)
Profit for the year	3,117	9,586	10,258
Other comprehensive income	9,194	3,965	10,182
Total comprehensive income	12,311	13,551	20,440
<b>Profit attributable to non-controlling interests</b>	<b>1,378</b>	<b>4,509</b>	<b>4,896</b>
Dividends paid to non-controlling interests	2,763	2,181	1,943

Summarized income statements	SYE		
	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Revenue	20,743	33,790	33,533
Loss before tax	(2,272)	(837)	(161,011)
Income tax expense	—	—	—
Loss for the year	(2,272)	(837)	(161,011)
Other comprehensive income/(loss)	(46)	(255)	345
Total comprehensive loss	(2,318)	(1,092)	(160,666)
<b>Loss attributable to non-controlling interests</b>	<b>(710)</b>	<b>(262)</b>	<b>(15)</b>
Dividends paid to non-controlling interests	—	—	—

**6. MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)**

Summarized balance sheets	CTW consolidated		SYE	
	As of December 31,		As of December 31,	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Current assets	127,539	141,761	9,038	11,293
Non-current assets	49,009	42,691	1,385	1,881
Current liabilities	(15,350)	(33,715)	(8,239)	(8,671)
Non-current liabilities	(11,358)	(8,161)	—	—
Total equity	149,840	142,576	2,184	4,503
Equity attributable to:				
Equity holders of the parent	76,216	73,621	1,502	3,096
<b>Non-controlling interests</b>	<b>73,624</b>	<b>68,955</b>	<b>682</b>	<b>1,407</b>

Summarized cash flow information	CTW consolidated		
	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Operating	10,776	38,784	(24,018)
Investing	2,319	(9,137)	6,589
Financing	(20,260)	(12,585)	12,836
Effect of changes in exchange rate on cash	2,376	(102)	1,678
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,789)</b>	<b>16,960</b>	<b>(2,915)</b>

Summarized cash flow information	SYE		
	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Operating	5,135	3,648	833
Investing	(165)	(277)	(252)
Financing	(1,847)	(4,005)	(563)
Effect of changes in exchange rate on cash	(28)	(34)	65
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,095</b>	<b>(668)</b>	<b>83</b>

**7. INCOME AND EXPENSES ITEMS****7(a) Other operating income**

	<b>For the year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	US\$'000	US\$'000	US\$'000
Gain on disposal of property, plant, and equipment	88	93	99
Reversal of allowance for trade receivable	122	—	—
Gain on disposal of assets classified as held for sale	—	—	4,525
Reversal of allowance for foreseeable loss	—	507	—
Other operating income – others	175	205	460
<b>Total other operating income</b>	<b>385</b>	<b>805</b>	<b>5,084</b>

On December 13, 2016, the Company entered into an agreement to sell its buildings and land use rights at its Ningbo Pacific subsidiary. The transaction was completed in March 2017 for a consideration of RMB 60.6 million, or approximately US\$8.8 million (including \$0.8 million tax related expenses). The Company recognized gain on disposal of assets classified as held for sale amounted \$4,525 for the year ended December 31, 2017.

**7(b) Other operating expenses**

	<b>For the year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	US\$'000	US\$'000	US\$'000
Allowance for trade receivables for related parties	—	1	27
Allowance for trade receivables	—	570	302
Allowance for other receivable	30	53	—
Allowance for foreseeable loss	193	—	276
Impairment of property, plant, and equipment	546	11	223
Other operating expenses – others	1	810	81
<b>Total other operating expenses</b>	<b>770</b>	<b>1,445</b>	<b>909</b>

For the year ended December 31, 2018, the Company recognized other operating expenses – others, which amounted to \$749, due to a write-off of other current assets.

**7. INCOME AND EXPENSES ITEMS (continued)****7(c) Finance costs**

	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Interest on debts and borrowings	754	1,196	962
Interest on leases liabilities	91	4	4
Total interest expenses	845	1,200	966
Banking charges	167	178	255
<b>Total finance costs</b>	<b>1,012</b>	<b>1,378</b>	<b>1,221</b>

**7(d) Finance income**

	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Interest income	506	482	876
<b>Total finance income</b>	<b>506</b>	<b>482</b>	<b>876</b>

**7(e) Other income**

	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Other income	462	1,712	114
Dividend income	109	105	100
Net gain on financial instruments	146	—	—
<b>Total other income</b>	<b>717</b>	<b>1,817</b>	<b>214</b>

Other Income for the year ended December 31, 2018 includes income from discharge of related party liabilities, which amounted to \$1,537. Refer to Note 24(b) for related party transactions.

**7(f) Other expenses**

	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Others	3	9	4
Net loss on financial instruments	—	2	332
<b>Total other expenses</b>	<b>3</b>	<b>11</b>	<b>336</b>

## 7. INCOME AND EXPENSES ITEMS (continued)

## 7(g) Depreciation, amortization and lease expense included in the consolidated income statements

	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Included in cost of sales:			
Depreciation – tangible assets	4,089	4,162	4,148
Depreciation – right-of-use assets	135	—	—
Amortization – intangible assets	10	9	9
Operating lease expenses	3	16	15
Included in selling expenses:			
Depreciation – tangible assets	93	141	132
Depreciation – right-of-use assets	112	—	—
Amortization – intangible assets	1	1	—
Operating lease expenses	1	184	193
Included in general and administrative expenses:			
Depreciation – tangible assets	552	598	657
Depreciation – right-of-use assets	260	—	—
Amortization – intangible assets	39	34	40
Amortization – prepaid land lease payment	—	38	35
Depreciation – investment property	33	35	35
Operating lease expenses	170	200	201
	<b>5,498</b>	<b>5,418</b>	<b>5,465</b>

## 7(h) Employee benefits expenses

	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Included in cost of sales:			
Wages and salaries	14,429	13,674	13,474
Labor and health insurance costs	126	162	168
Pension costs	994	890	869
Other employment benefits	816	892	817
Included in selling expenses:			
Wages and salaries	3,495	3,685	3,641
Labor and health insurance costs	12	14	14
Pension costs	330	324	325
Other employment benefits	50	68	64
Included in general and administrative expenses:			
Wages and salaries	8,117	8,818	8,364
Labor and health insurance costs	85	224	219
Pension costs	757	671	656
Director fees	640	1,046	1,119
Other employment benefits	286	325	342
<b>Total employee benefits expenses</b>	<b>30,137</b>	<b>30,793</b>	<b>30,072</b>

The accrued compensation and retirement benefits for expatriates were included in employee benefits expenses and in accruals.

**8. INCOME TAX**

Under current Bermuda law, the Company is not subject to tax on income or capital gains, nor is withholding tax of Bermuda imposed upon payments of dividends by the Company to its shareholders.

The Company's investments in the Operating Subsidiaries are held through subsidiaries incorporated in the British Virgin Islands ("BVI"). Under current BVI law, dividends from the BVI subsidiaries' investments are not subject to income taxes and no withholding tax is imposed on payments of dividends by the BVI subsidiaries to the Company.

The Operating Subsidiaries and equity investees are governed by the income tax laws of Singapore, Thailand, Australia and the PRC. The corporate income tax rate in Singapore was 17% for each of the three years ended December 31, 2019, and there is no withholding tax on dividends applicable to the Company. For Thailand, the statutory corporate income tax rate was 20% for each of the three years ended December 31, 2019 and a withholding tax of 10% is levied on dividends received by the Company. Charoong Thai is listed on Stock Exchange of Thailand ("SET"). In Australia, the corporate income tax rate was 30% for 2016/2017, 2017/2018 and 2018/2019 tax years. The applicable corporate income tax rate for the subsidiaries in the PRC was 25% for each of the three years ended December 31, 2019.

Dividends received from the Operating Subsidiaries and equity investees may be subjected to withholding taxes. Under the current Singapore corporate tax system, dividends paid by a Singapore resident company is tax exempt, and is not subject to withholding taxes. In Australia, dividends paid to non-residents are exempt from dividend withholding taxes except when dividends are paid out of profit that is not taxed by Australian income tax (i.e. unfranked dividends). For Thailand, dividends paid by a company to any individual or corporate payee overseas are subject to a withholding tax of 10%. Under the Corporate Income Tax Law of the PRC, dividend distribution of profits to foreign investor(s) is subject to withholding tax of 10%.



**8. INCOME TAX (continued)**

The major components of income tax expenses for the years ended December 31, 2019, 2018 and 2017 are:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
<b>Consolidated income statements</b>			
<b><i>Current income tax:</i></b>			
Current income tax charge	1,699	4,068	4,785
Previously unrecognized tax loss used to reduce current income tax	—	(128)	(1,066)
Adjustments for current income tax of prior years	<u>(16)</u>	<u>1</u>	<u>348</u>
Total current income tax	1,683	3,941	4,067
<b><i>Deferred tax expenses/(benefits):</i></b>			
Relating to origination and reversal of temporary differences	374	243	1,210
Relating to change in tax rate	—	—	—
Previously unrecognized tax loss used to reduce deferred tax expenses	<u>—</u>	<u>(298)</u>	<u>(137)</u>
Total deferred tax expenses/(benefits)	<u>374</u>	<u>(55)</u>	<u>1,073</u>
<b>Income tax expense reported in the income statement</b>	<b><u>2,057</u></b>	<b><u>3,886</u></b>	<b><u>5,140</u></b>
<b>Consolidated statements of comprehensive income</b>			
Deferred tax related to items recognized in other comprehensive income during the year:			
Change in the fair value of equity instrument measured at fair value through other comprehensive income			
Recognized during the year	334	(84)	(16)
Effect of change in tax rate	—	—	—
Net loss on actuarial gains and losses			
Recognized during the year	(345)	(82)	(154)
Effect of change in tax rate	<u>—</u>	<u>—</u>	<u>—</u>
<b>Income tax benefits charged to other comprehensive (loss) income</b>	<b><u>(11)</u></b>	<b><u>(166)</u></b>	<b><u>(170)</u></b>

**8. INCOME TAX (continued)**

The parent company's tax is filed in Bermuda, which does not have a statutory tax rate. The provision for income taxes differs based on the tax incurred by the Operating Subsidiaries, in their respective jurisdiction. The Company determines its statutory tax rate based on its major commercial domicile that is its subsidiaries in Thailand. The reconciliation of the statutory tax rate and the Company's effective tax rate is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Profit before tax	1,106	11,332	18,668
Tax at statutory rate of 20% (2018: 20%; 2017: 20%)	221	2,266	3,734
Foreign income taxed at different rate	499	697	1,151
Expenses not deductible for tax purpose	221	(33)	600
Utilization of previously unrecognized tax losses	—	(128)	(1,066)
Tax benefit arising from previously unrecognized tax losses	—	(298)	(137)
Net deferred tax asset not recognized	949	679	78
Written-off deferred tax	218	(4)	10
Tax exempt on income	(144)	(135)	(245)
Uncertain tax position	(454)	11	(270)
Return to provision adjustment	(16)	1	348
Deferred tax liability arising from undistributed earnings	215	578	602
Withholding tax on dividends	355	270	349
Others	(7)	(18)	(14)
<b>Income tax expense reported in income statement</b>	<u><u>2,057</u></u>	<u><u>3,886</u></u>	<u><u>5,140</u></u>

**8. INCOME TAX (continued)****Deferred tax**

Deferred tax relates to the following:

	Consolidated balance sheet		Consolidated income statement		
	As of December 31,		For the year ended Decembers 31,		
	2019	2018	2019	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Outside basis differences	(3,829)	(3,614)	215	578	602
Revaluations of financial assets at fair value through other comprehensive income (2017: Revaluations of available-for-sale investment to fair value)	(679)	(345)	—	—	—
Accrued interest income	(181)	(154)	13	12	11
Unutilized building allowance (net)	(36)	(133)	(98)	(95)	11
Unused tax losses	546	644	119	(459)	455
Allowance for doubtful accounts	245	290	47	(97)	(25)
Inventory impairment	554	657	147	(236)	(161)
Rebates and other accrued liabilities	472	426	(46)	(38)	(6)
Unpaid retirement benefits	1,553	1,353	(81)	(54)	(62)
Deferred revenue and cost of sales	23	16	(6)	(14)	393
Actuarial loss	796	450	—	—	—
Unabsorbed depreciation	637	701	57	(55)	(45)
Mark-to-Market value of forward contract	—	28	28	(28)	—
Others	(301)	(325)	(21)	431	(100)
<b>Deferred tax expenses / (benefits)</b>			<b>374</b>	<b>(55)</b>	<b>1,073</b>
<b>Net deferred tax assets</b>	<b>(200)</b>	<b>(6)</b>			

**Reconciliation of deferred tax assets, net**

	2019	2018	2017
	US\$'000	US\$'000	US\$'000
<b>Opening balance as of January 1</b>	<b>(6)</b>	<b>(132)</b>	<b>526</b>
Tax benefit/(expenses) during the period recognized in profit or loss	(374)	55	(1,073)
Tax benefit/(expenses) during the period recognized in other comprehensive income	11	166	170
Exchange difference on translation foreign operations	169	(95)	245
<b>Closing balance as of December 31</b>	<b>(200)</b>	<b>(6)</b>	<b>(132)</b>

The Company offset tax assets and liabilities if and only if it has legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

**8. INCOME TAX (continued)**

The Company has available unused net operating losses which arose in Thailand, China, Hong Kong, Singapore and Australia as of December 31, 2019 and 2018, that may be applied against future taxable income and that expire as follows respectively:

Year of expiration	As of December 31,	
	2019	2018
	US\$'000	US\$'000
2019	—	784
2020	3,067	3,020
2021	5,246	5,121
2022	2,216	2,105
2023	4,855	4,760
2024	3,605	—
No expiration	1,591	972
	<u>20,580</u>	<u>16,762</u>

Deferred tax assets have not been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the Company, as they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. The Company did not recognize deferred tax assets of \$4,038 (2018: \$3,084; 2017: \$2,803) in respect of tax losses amounting to \$18,422 (2018: \$13,698; 2017: \$12,769 ).

In addition, the Company did not recognize deferred assets of \$1,030 (2018: \$792 ; 2017: \$1,144) in relation to deductible temporary differences amounting to \$4,695 (2018: \$3,557; 2017: \$4,930).

There are no income tax consequences attached to the payment of dividends in either 2019 or 2018 by the Company to its shareholders.

As of December 31, 2019 and 2018, the Company is subject to taxation in PRC, Australia, Thailand, and Singapore. The Company's tax years from 2011 and forward are still subject to examination by the tax authorities in various tax jurisdictions.

A reconciliation of the beginning and ending amounts of uncertain tax position is as follows:

Change in Uncertain Tax Positions	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Balance as of January 1	674	706	828
Additions based on tax positions related to the current year	—	—	—
Decrease due to lapses in statute of limitations	(215)	—	(175)
Exchange difference	(8)	(32)	53
<b>Balance as of December 31</b>	<u>451</u>	<u>674</u>	<u>706</u>

The Company is not expecting there would be any reasonably possible change in the total amounts of uncertain tax position within twelve months of the reporting date. As of December 31, 2019, 2018, and 2017 the amount of uncertain tax position (excluding interest and penalties) included in the consolidated balance sheets that would, if recognized, affect the effective tax rate is \$451, \$674 and \$706, respectively.

**8. INCOME TAX (continued)**

The Company recognized interest expense and penalties related to income tax matters as a component of income tax expense. The amount of related interest and penalties the Company has provided as of the dates listed below were:

	<u>As of December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Accrued interest on uncertain tax position	713	867	800
Accrued penalties on uncertain tax position	384	461	486
<b>Total accrued interest and penalties on uncertain tax position</b>	<b><u>1,097</u></b>	<b><u>1,328</u></b>	<b><u>1,286</u></b>

For the years ended December 31, 2019, 2018 and 2017, the Company recognized \$81, \$108 and \$114 in interest and \$nil, \$nil and \$nil in penalty, respectively. For the years ended December 31, 2019, 2018 and 2017, the Company reversed \$223, \$nil and \$276 in interest and \$71, \$nil and \$87 in penalties, respectively, due to lapses in statute of limitations. For the years ended December 31, 2019, 2018 and 2017, the exchange difference \$(12), \$(41) and \$ 65 relating to interests, \$(6), \$(25) and \$38 relating to penalty were included in income tax expenses.

The Company considers each uncertain tax positions individually, by first consider whether each position taken in the tax return is probable of being sustained on examination by the taxing authority. It should recognize a liability for each item that is not probable of being sustained. The liability then is measured using a single best estimate of the most likely outcome. The uncertain tax positions presented in the current tax liability is the total liability for uncertain tax positions.

**9. (LOSS) EARNINGS PER SHARE**

(Loss) earnings per share are calculated by dividing net (loss) profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. The Company does not have any dilutive securities. The treasury shares transaction resulted in an immediate reduction in outstanding shares used to calculate the weighted-average common shares outstanding for both basic and diluted (loss) earnings per share.

The following table sets forth the computation of basic and diluted earnings attributable to common shareholders per share:

	<u>For the year ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
	(except for number of shares and earnings per share)		
<b>Numerator:</b>			
Net (loss) profit attributable to APWC from continuing operations	(1,632)	2,928	8,720
<b>Net (loss) profit attributable to APWC</b>	<b><u>(1,632)</u></b>	<b><u>2,928</u></b>	<b><u>8,720</u></b>
<b>Denominator:</b>			
Weighted-average common shares outstanding – basic and diluted	13,819,669	13,819,669	13,819,669
<b>(Loss) earnings per share – basic and diluted</b>			
Continuing operations	(0.12)	0.21	0.63
<b>Total (loss) earnings per share – basic and diluted</b>	<b><u>(0.12)</u></b>	<b><u>0.21</u></b>	<b><u>0.63</u></b>

Income from continuing operations attributable to non-controlling interests are \$681, \$4,518, and \$4,808 for the years ended December 31, 2019, 2018 and 2017, respectively.

**10. CASH AND CASH EQUIVALENTS**

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
<b>Cash on hand and cash at banks</b>	<b><u>53,673</u></b>	<b><u>60,778</u></b>

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition. Other short-term deposits are presented as other receivables if they are pledged, or if they have a maturity over three months from the date of acquisition.

**11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES****11(a) Other financial assets and liabilities**

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
<b>Financial assets at fair value through other comprehensive income</b>		
Equity instrument (Note 11(d))	4,062	2,332
	<u>4,062</u>	<u>2,332</u>
<b>Financial liabilities at fair value through profit or loss</b>		
Foreign exchange forward contracts (Note 11(c))	3	142
	<u>3</u>	<u>142</u>

**(i) Financial assets and liabilities at fair value through profit or loss**

Financial assets and liabilities at fair value through profit or loss reflect the changes in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are intended to reduce the level of foreign currency risk for expected sales and purchase transactions.

**(ii) Financial assets at fair value through other comprehensive income - unquoted equity instrument**

On January 1, 2018, the date of initial application of IFRS 9, the Company elected to reclassify its unquoted equity instrument in Thai Metal Processing Co., Ltd (“TMP”), which is engaged in the fabrication of copper rods, from financial assets – available-for-sale to financial assets at fair value through other comprehensive income due to the investment being hold as a long-term strategic investment and not expected to be sold in the short to medium term. During the years ended December 31, 2019, 2018, and 2017, the Company received dividends of \$109, \$105, and \$100 from TMP, respectively, which were recorded in other income (Note 7(e)) in the consolidated income statements.

**11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****11(b) Interest-bearing loans and borrowings**

Under the line of credit arrangements for short-term debt with the Company's banks, the Company may borrow up to approximately \$287,017 and \$275,334 as of December 31, 2019 and 2018, respectively, on such terms as the Company and the banks may mutually agree upon. These arrangements do not have termination dates but are reviewed annually for renewal. As of December 31, 2019 and 2018, the unused portion of the credit lines was approximately \$207,928 and \$182,361, respectively, which included unused letters of credit amounting to \$113,255 and \$92,256, respectively.

Letters of credit are issued by the Company in the ordinary course of business through major financial institutions as required by certain vendor contracts. As of December 31, 2019 and 2018, the Company had open letters of credit amounting to \$15,209 and \$22,426, respectively. Liabilities relating to the opened letters of credit are included in current liabilities.

	As of December 31,							
	2019				2018			
	Interest rate	Maturity	Local currency		Interest rate	Maturity	Local currency	
%		'000	US\$'000	%		'000	US\$'000	
<b>Current interest-bearing loans and borrowings</b>								
Bank loans								
Bank loans	5.00 ~ 5.50	Mar. 2020 ~ Sept. 2020	RMB\$20,400	2,929	4.70 ~ 4.79	Jan. 2019 ~ Sept. 2019	RMB\$42,100	6,130
Trust receipt	1.90 ~ 2.70	Jan. 2020 ~ Jun. 2020	THB\$161,018	5,423	1.10 ~ 2.10	Jan. 2019 ~ Jun. 2019	THB\$602,150	18,684
Trust receipt	3.05	Feb. 2020 ~ Apr. 2020	SGD\$4,042	3,004				
<b>Total</b>				<b><u>11,356</u></b>				<b><u>24,814</u></b>



**11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****11(c) Hedging activities and derivatives****(i) Commodity price risk**

The Company purchases copper on an ongoing basis as its operating activities require a continuous supply of copper for manufacturing products. To reduce the exposures to copper shortage, the Company enters into purchase contracts with commitment of monthly minimum purchase at market prices for selected operating units. The majority of these transactions take the form of contracts that are entered into and continue to be held for the purpose of receipt or delivery of the copper based on the Company's expected purchase, sale or usage requirements. Such purchase commitment contracts are not deemed financial instruments or derivatives. To date, these contract positions have not had a material effect on the Company's financial position, results of operations, and cash flow. Whether the annual copper purchase quantity needs to be reduced for the subsequent development, please see the Note 29 Subsequent event.

**(ii) Foreign currency risk**

The Company enters into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchase transactions. These contracts are entered into the periods consistent with foreign currency exposure of the underlying transaction, generally from one to 12 months. These contracts are not designated in hedge relationships, and are measured at fair value through profit or loss.

As of December 31, 2019 and 2018, the Company had outstanding forward contracts with notional amounts of \$(0.9) million and \$(9.4) million respectively. The outstanding forward contracts at December 31, 2019 and 2018 mature between June 10 and June 23, 2020 and April 29 and June 17, 2019, respectively. The Company recognized gain (loss) on forward contracts as other income (expenses) – refer to Note 7(e) and Note 7(f).

The forward contract balance varies with the expected foreign currency transactions and changes in foreign exchange rate.

	2019		2018	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
<b>Foreign currency forward contracts</b>				
Fair value	—	3	—	142

**11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****11(d) Fair values**

Set out below is a comparison of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	As of December 31,		As of December 31,	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets-current</b>				
Cash and cash equivalents	53,673	60,778	53,673	60,778
Trade receivables	74,077	79,617	74,077	79,617
Other receivables	6,868	12,422	6,868	12,422
Due from related parties	11,566	12,061	11,566	12,061
<b>Financial assets-non-current</b>				
Financial assets at fair value through other comprehensive income	4,062	2,332	4,062	2,332
Long-term bank deposits*	1,246	887	1,246	887
<b>Total</b>	<b>151,492</b>	<b>168,097</b>	<b>151,492</b>	<b>168,097</b>
<b>Financial liabilities-current</b>				
Interest-bearing loans and borrowings	11,356	24,814	11,356	24,814
Trade and other payables	16,879	21,127	16,879	21,127
Due to related parties	3,284	2,997	3,284	2,997
Financial liabilities at fair value through profit or loss	3	142	3	142
Financial lease liabilities	574	44	574	44
<b>Financial liabilities-non-current</b>				
Financial lease liabilities	2,254	46	2,254	46
<b>Total</b>	<b>34,350</b>	<b>49,170</b>	<b>34,350</b>	<b>49,170</b>

\* included in other non-current assets

**(i) Methods and assumptions used to estimate fair value**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- ▶ Cash and cash equivalents, trade receivables, other receivables, due from related parties, trade and other payables, due to related parties, and financial lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- ▶ Fixed-rate and variable-rate receivables are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances were provided to account for the expected losses of these receivables. As of December 31, 2019 and 2018, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- ▶ Fixed rate long-term bank deposits and fixed rate and variable-rate borrowings are evaluated using discounted cash flows and the market rates or current rates for deposits of similar remaining maturities.
- ▶ Fair value of financial liabilities at fair value through profit or loss - derivatives is derived from inputs other than quoted prices that are observable for the asset or liability.

**11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****(i) Methods and assumptions used to estimate fair value (continued)**

- ▶ Fair value of interest-bearing borrowings and loans are determined by using discounted cash flow method with discount rate that reflects the issuer's borrowing rate as of the end of the reporting period. The non-performance risk as of December 31, 2019 was assessed to be insignificant.

**(ii) Description of significant unobservable inputs to valuation**

	Valuation technique	Significant unobservable inputs	Liquidity discount (2019 and 2018)	Sensitivity of the input to fair value	
				2019	2018
<b>Financial asset</b>					
Unquoted equity instrument	Market Approach Method	Liquidity Discount	30%	5% decrease in the discount would increase in fair value by \$290	5% decrease in the discount would increase in fair value by \$167

The Company estimates the fair value of investment in equity instrument by using the market approach (market comparatives approach). The key in this method is the selection of quoted comparable companies and accommodate adjustments to bring the accounts of different companies into a broadly consistent framework for analysis. Then, select appropriate Indicators of Value. The followings should be taken into account:

- ▶ Enterprise Value (EV) versus Market Capitalization;
- ▶ Earnings-based: EBITDA +/- EBIT versus Net Earnings +/- Net Cash Flow
- ▶ Balance Sheet based: Net Total Assets versus Shareholders Funds

Discount for the lack of liquidity to reflect the lesser liquidity of this equity instrument compared with those of its comparable public company peers. The Company assessed the discount for the lack of liquidity to be 30 percent on the basis of relevant studies applicable in the region and industry as well as on the specific facts and circumstances of the equity instrument. The equity instrument's finance performance is characterized by stable, consistent growth and profitability. The Company believes the liquidity discount of 30% would be appropriate.

The Company carries the equity instrument as financial assets at fair value through other comprehensive income classified as level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances is summarized below:

	2019 US\$'000	2018 US\$'000
<b>At January 1</b>	<b>2,332</b>	<b>2,747</b>
Re-measurement financial assets to fair value, recognized in other comprehensive income/(loss)	1,670	(419)
Exchange difference on translation	60	4
<b>At December 31</b>	<b>4,062</b>	<b>2,332</b>

**12. TRADE AND OTHER RECEIVABLES**

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
	US\$'000	US\$'000
Trade receivables	75,627	81,274
Less: Loss allowances	(1,550)	(1,657)
<b>Trade receivable, net</b>	<b>74,077</b>	<b>79,617</b>
Other receivables	6,986	12,502
Less: Loss allowances	(118)	(80)
<b>Other receivable, net</b>	<b>6,868</b>	<b>12,422</b>

**12(a) Movement in the loss allowance on trade receivables**

	<b>2019</b>	<b>2018</b>
	US\$'000	US\$'000
<b>At January 1</b>	<b>1,657</b>	<b>3,456</b>
Charge for the year	72	726
Write-off	(1)	(2,292)
Unused amounts reversed	(194)	(156)
Currency translation adjustment	19	(74)
Reclassification	(3)	(3)
<b>At December 31</b>	<b>1,550</b>	<b>1,657</b>

The Company recorded a loss allowance on trade receivables amounted to \$2.0 million, for a specific customer of a subsidiary, as of December 31, 2017. This loss allowance on trade receivables was written off in 2018 based on the court judgement with no reasonable expectation of recovery.

**12(b) Aging analysis of trade receivables**

	<b>Total</b>	<b>Current</b>	<b>Past due</b>				
			<b>1-30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-120 days</b>	<b>&gt;120 days</b>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>December 31, 2019</b>							
Expected loss rate	2.05%	0.14%	0.76%	3.75%	9.52%	23.89%	75.97%
Gross carrying amount - trade receivables	75,627	59,867	9,979	3,759	294	180	1,548
Loss allowances	1,550	86	76	141	28	43	1,176
Trade receivable, net	74,077	59,781	9,903	3,618	266	137	372
<b>December 31, 2018</b>							
Expected loss rate	2.04%	0.07%	0.86%	3.95%	20.18%	31.71%	64.70%
Gross carrying amount - trade receivables	81,274	67,318	9,183	2,276	327	82	2,088
Loss allowances	1,657	45	79	90	66	26	1,351
Trade receivable, net	79,617	67,273	9,104	2,186	261	56	737

**12. TRADE AND OTHER RECEIVABLES (continued)**

**12(c) Accounting policy for impairment of trade receivables**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the Company's historical credit loss experience, adjusted to reflect current and forward-looking information on general economic conditions affecting the ability of the customers to settle the receivables.

The impairment of trade receivables was assessed based on the incurred loss model as of December 31, 2017. The Company measured estimated impairment losses on trade receivables based on the inability of its customers to make required payments. The Company considered the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, customer financial condition, past transaction history with the customer, current economic industry trends, and changes in customer payment terms.

**12(d) Material collateral obtained**

The Company obtained collateral in respect of doubtful receivables from customers. The collateral takes the form of a lien over the customer's assets and gives the Company a claim on these assets for the doubtful receivables.

In March 2017, a lawsuit was filed by a debtor to rescind the foreclosure that the Company has undertaken on the collateral in Thailand. The Company's foreclosure prevailed according to the judgement from the Appeal Court on November 28, 2017. The debtor's petition reached to the Supreme Court on June 19, 2018, and was denied on March 27, 2019. The Company performed a valuation to determine the fair value of the collateral. As of December 31, 2019 and 2018, the fair value of the collateral was \$1,339 and \$1,200, respectively, which was lower than the amount of the associated delinquent account, and the Company recognized an impairment loss of \$30 and \$52 in other operating expenses, respectively.

See Note 27(b) credit risk of trade receivables for discussions on how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

**12(e) Other receivables pledged as collateral**

The carrying amounts of other receivables pledged as collateral against credit facilities received from financial institutions are disclosed in Note 27(e)(ii).

**13. INVENTORIES**

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Raw materials and supplies	19,712	25,717
Work in progress	19,118	15,598
Finished goods	50,309	46,592
	<u>89,139</u>	<u>87,907</u>
Allowance for inventories	<u>(3,952)</u>	<u>(3,982)</u>
<b>Total inventories at the lower of cost and net realizable value</b>	<b><u>85,187</u></b>	<b><u>83,925</u></b>

Inventories recognized as an expense during the year ended December 31, 2019, December 31, 2018 and December 31, 2017 amounted to \$313,695, \$388,079 and \$384,995 respectively.

For the year ended December 31, 2019, the amount of \$322 was credited to cost of sales when the circumstances, such as copper price fluctuation, that caused the net realizable value of inventory to be lower than its cost no longer existed.

For the year ended December 31, 2018 and 2017, the Company recognized allowance for inventory of \$1,613 and \$532 as an expense in cost of sales for inventories carried at net realizable value.

**14. CONTRACT ASSETS****14(a) Assets related to contracts with customers**

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Contract assets - current	4,686	1,460

There were no advances received or retentions on SDI service contracts during the financial years ended December 31, 2019 and 2018.

The Company mainly conducts its SDI services contract with customers within public sector, and the expected credit loss on contract assets is close to zero.

**14(b) Unsatisfied supply, delivery, and installation (SDI) services contracts**

The following table shows the aggregate amount of the transaction price allocated to the unsatisfied performance obligations.

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Unsatisfied long-term SDI contracts		
Expected to be recognized as revenue over 3 years	156,592	14,922

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Building improvement	Machinery and equipment	Motor vehicle and other asset and assets under finance lease	Office equipment	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost</b>								
<b>At January 1, 2018</b>	6,227	48,421	5,622	96,964	5,230	6,959	1,047	170,470
Additions	—	229	76	480	624	395	2,694	4,498
Disposals	—	(8)	—	(1,120)	(503)	(490)	—	(2,121)
Transfer	—	—	3	1,418	505	102	(2,028)	—
Exchange differences	(21)	(752)	14	(1,024)	(76)	(244)	(40)	(2,143)
<b>At December 31, 2018</b>	<b>6,206</b>	<b>47,890</b>	<b>5,715</b>	<b>96,718</b>	<b>5,780</b>	<b>6,722</b>	<b>1,673</b>	<b>170,704</b>
Effects on initial application of IFRS 16	—	—	—	—	(192)	—	—	(192)
<b>Adjusted balance at January 1, 2019</b>	<b>6,206</b>	<b>47,890</b>	<b>5,715</b>	<b>96,718</b>	<b>5,588</b>	<b>6,722</b>	<b>1,673</b>	<b>170,512</b>
Additions	—	7	119	292	433	315	2,240	3,406
Disposals	—	—	(4)	(2,308)	(524)	(331)	—	(3,167)
Transfer	—	(167)	746	1,748	180	139	(2,582)	64
Exchange differences	632	2,813	454	7,419	332	247	47	11,944
<b>At December 31, 2019</b>	<b>6,838</b>	<b>50,543</b>	<b>7,030</b>	<b>103,869</b>	<b>6,009</b>	<b>7,092</b>	<b>1,378</b>	<b>182,759</b>

	Land	Buildings	Building improvement	Machinery and equipment	Motor vehicle and other asset and assets under finance lease	Office equipment	Construction in progress	Total
<b>Depreciation/Impairment</b>								
<b>At January 1, 2018</b>	—	(33,082)	(3,254)	(82,490)	(3,430)	(5,888)	—	(128,144)
Depreciation charge for the year	—	(1,164)	(296)	(2,435)	(604)	(402)	—	(4,901)
Impairment	—	—	—	(10)	—	(1)	—	(11)
Depreciation on disposals	—	6	0	1,119	503	486	—	2,114
Transfer	—	—	—	(46)	—	46	—	—
Exchange differences	—	510	(17)	914	49	200	—	1,656
<b>At December 31, 2018</b>	<b>—</b>	<b>(33,730)</b>	<b>(3,567)</b>	<b>(82,948)</b>	<b>(3,482)</b>	<b>(5,559)</b>	<b>—</b>	<b>(129,286)</b>
Effects on initial application of IFRS 16	—	—	—	—	126	—	—	126
<b>Adjusted balance at January 1, 2019</b>	<b>—</b>	<b>(33,730)</b>	<b>(3,567)</b>	<b>(82,948)</b>	<b>(3,356)</b>	<b>(5,559)</b>	<b>—</b>	<b>(129,160)</b>
Depreciation charge for the year	—	(1,044)	(338)	(2,391)	(541)	(420)	—	(4,734)
Impairment	—	—	(1)	(550)	7	(2)	—	(546)
Depreciation on disposals	—	—	4	2,274	477	329	—	3,084
Transfer	—	265	(265)	—	(64)	—	—	(64)
Exchange differences	—	(2,361)	(297)	(6,517)	(185)	(232)	—	(9,592)
<b>At December 31, 2019</b>	<b>—</b>	<b>(36,870)</b>	<b>(4,464)</b>	<b>(90,132)</b>	<b>(3,662)</b>	<b>(5,884)</b>	<b>—</b>	<b>(141,012)</b>

	Land	Buildings	Building improvement	Machinery and equipment	Motor vehicle and other asset and assets under finance lease	Office equipment	Construction in progress	Total
<b>Net book value</b>								
<b>At December 31, 2019</b>	<b>6,838</b>	<b>13,673</b>	<b>2,566</b>	<b>13,737</b>	<b>2,347</b>	<b>1,208</b>	<b>1,378</b>	<b>41,747</b>
<b>At December 31, 2018</b>	<b>6,206</b>	<b>14,160</b>	<b>2,148</b>	<b>13,770</b>	<b>2,298</b>	<b>1,163</b>	<b>1,673</b>	<b>41,418</b>
<b>At January 1, 2018</b>	<b>6,227</b>	<b>15,339</b>	<b>2,368</b>	<b>14,474</b>	<b>1,800</b>	<b>1,071</b>	<b>1,047</b>	<b>42,326</b>



**15. PROPERTY, PLANT AND EQUIPMENT (continued)**

**15(a) Impairment of property, plant and equipment**

In 2019, 2018 and 2017 the Company recorded an impairment loss of \$546, \$11 and \$223 on property, plant and equipment at Shanghai Yayang, Ningbo Pacific and SFO facilities. The impairment is presented within other operating expenses in Note 7(b), and the impairment of property, plant and equipment of North Asia and Thailand segments in Note 5.

The Company performed a valuation for utilized machinery measured at fair value less costs to sell using a cost approach due to closure of the manufacturing facilities at Shanghai Yayang and Ningbo Pacific. Its fair value measurement was classified as Level 3 of the fair value hierarchy. After considering the relevant evidence, the key assumption used included replacement costs, residual value and remaining useful life of these existing assets. The impairment test revealed that the recoverable amount was lower than the carrying amount.

The Company considers the market demand for SFO's products and performed an impairment test on the CGU composed of property, plant and equipment used in the manufacturing of fiber optic cables at SFO. The Company determined the recoverable amount of the CGU to be \$0 based on the value in use. The key assumptions used in calculating the value in use included the revenue growth and a discount rate of 14.8%.

**15(b) Financial leases under property, plant and equipment**

The carrying value of motor vehicles under financial leases as of December 31, 2019, 2018 and 2017 were \$0, \$66 and \$50, respectively. These assets under financial lease are pledged for financial lease liabilities (Note 25(b)).

On January 1, 2019, the Company reclassified "Lease assets" from "Property, plant and equipment" to "right-of-use assets" upon adoption of IFRS 16. See the Note 4.1.

**15(c) Pledge**

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 27(e) (i).

**16. RIGHT-OF-USE ASSETS**

**16(a) Amounts recognized in the consolidated balance sheets**

	<u>As of December 31, 2019</u>
	US\$'000
<b>Right-of-use assets</b>	
Land	3,029
Buildings	546
Motor vehicle and other asset	58
Office equipment	102
	<u><u>3,735</u></u>

The Company leases various assets including land, buildings, business vehicles and multifunction printers. Rental contracts are typically made for periods of 1 to 36 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

Additions to the right-of-use assets during the 2019 financial year were \$473.

**16(b) Amounts recognized in the consolidated income statements**

	<u>2019</u>
	US\$'000
<b>Depreciation charge of right-of-use assets</b>	
Land	211
Buildings	233
Motor vehicle and other asset	38
Office equipment	25
	<u><u>507</u></u>
Interest expenses (included in finance cost)	91
Expenses relating to short-term leases	159
Expenses relating to lease of low-value assets that are not short-term leases	15

The total cash outflow for lease in 2019 was \$691.

**16. RIGHT-OF-USE ASSETS (continued)**

<b>16(c) Prepaid land lease payments</b>	<u>2018</u>
	US\$'000
<b>Carrying amount as of January 1,</b>	<b>1,103</b>
Recognized lease expense during the year	(38)
Exchange difference	(53)
<b>Carrying amount as of December 31,</b>	<b>1,012</b>
<b>Current portion included in prepayments</b>	<b>34</b>
<b>Non-current portion included in prepaid land lease payments</b>	<b>978</b>

The property land is situated in Mainland China and is held under a long-term operating lease for 50 years. Information about the prepaid land lease payments that were pledged to others as collaterals is provided in Note 27(e)(i).

**17. INVESTMENT PROPERTIES**

**17(a) Net book value of investment properties**

	<u>Land not being used for operation</u>	<u>Office buildings for rent</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000
As of December 31, 2019			
Cost	467	716	1,183
Less: Accumulated depreciation	—	(453)	(453)
<b>Net book value</b>	<b>467</b>	<b>263</b>	<b>730</b>

	<u>Land not being used for operation</u>	<u>Office buildings for rent</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000
As of December 31, 2018			
Cost	430	695	1,125
Less: Accumulated depreciation	—	(405)	(405)
<b>Net book value</b>	<b>430</b>	<b>290</b>	<b>720</b>

**17. INVESTMENT PROPERTIES (continued)****17(a) Net book value of investment properties (continued)**

A reconciliation of the net book value of investment properties was as follow:

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
<b>Net book value at January 1</b>	<b>720</b>	<b>763</b>
Depreciation (included in administrative expenses)	(33)	(35)
Exchange difference	43	(8)
<b>Net book value at December 31</b>	<b><u>730</u></b>	<b><u>720</u></b>

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**17(b) The amount recognized in profit arising from the investment properties**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000	US\$'000
Rental income derived from investment properties	78	84	68
Direct operating expenses (including repairs and maintenance) generating rental income	(1)	(1)	(1)
Direct operating expenses (including repairs and maintenance) that did not generate rental income	—	—	(1)
<b>Net profit arising from investment properties carried at cost</b>	<b><u>77</u></b>	<b><u>83</u></b>	<b><u>66</u></b>

Undiscounted lease payments receivable to be received during the lease terms are immaterial.

**17(c) Measuring investment properties at fair value**

The fair value of the investment properties are stated below:

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Land not being used for operation	11,566	10,656
Office buildings for rent	1,460	1,397

The fair value of aforementioned investment properties have been determined based on the valuation and is considered a level 3 measurement. The valuation has been made on the assumption to sell the property interests in the open market in the neighborhood without the benefit of any deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to increase the value of the property interests. The valuation adopted market comparison approach to estimate the fair market value of the properties. Under the market comparison approach, the appraisal is based on recent sales and listings of comparable property. Adjustments were made for differences between the subject property and those actual sales and listings regarded as comparable. The factors which used for considering the property valuation include the significant unobservable inputs, such as location, transportation, land uses, facilities, neighboring area, land characteristics, potential, regulations and liquidity.

**17(d) Pledge**

Information about the investment properties that were pledged to others as collaterals is provided in Note 27(e) (i).

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**18. INTANGIBLE ASSETS**

**Computer software**

	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Cost		
At January 1	586	526
Addition	20	67
Exchange difference	15	(7)
At December 31	<u>621</u>	<u>586</u>
Accumulated amortization		
At January 1	(429)	(388)
Amortization	(50)	(44)
Exchange difference	(14)	3
At December 31	<u>(493)</u>	<u>(429)</u>
<b>Net book value</b>		
<b>At December 31</b>	<u><b>128</b></u>	<u><b>157</b></u>

**19. INVESTMENTS IN ASSOCIATES**

**19(a) Associates of the Company**

Company Name	Nature of business	Country of incorporation	Percentage of equity interest	
			2019	2018
Shandong Pacific Rubber Cable Co., Ltd. ("SPRC")	Manufacturing of rubber cable	PRC	25.00%	25.00%
Siam Pacific Holding Company Limited ("SPHC")	Investment & holding company	Thailand	49.00%	49.00%
Loxpac (Thailand) Company Limited ("Loxpac") (Formerly known as "Loxley Pacific Co., Ltd.)	Providing telecommunication service	Thailand	21.39%	21.39%
Loxpac Hong Kong Co., Limited ("Loxpac HK") (Formerly known as "Loxley Pacific Hong Kong Co., Limited")	Investment & holding company	Hong Kong	23.10%	23.10%

**19(b) Carrying amounts of investment in associates**

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
<b>At January 1</b>	<b>864</b>	<b>861</b>
Share of loss of associates	(3)	(3)
Exchange difference	74	6
<b>At December 31</b>	<u><b>935</b></u>	<u><b>864</b></u>

The investments in SPRC, Loxpac and Loxpac HK have been fully impaired.

**19. INVESTMENTS IN ASSOCIATES****19(c) Summarized financial information for associates**

The following table summarized financial information of the Company's investments in associates:

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
	US\$'000	US\$'000
<b>Summarized financial information of SPHC:</b>		
Current assets	3	9
Non-current assets	2,103	1,938
Current liabilities	(3)	(3)
Non-current liabilities	(196)	(181)
<b>Equity</b>	<b>1,907</b>	<b>1,763</b>
<b>Reconciliation to the Company's investments in associates:</b>		
Percentage of equity interest	49%	49%
Carrying amount of the investment	935	864

	<b>For the year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	US\$'000	US\$'000	US\$'000
<b>Summarized financial information of SPHC:</b>			
Revenue	—	—	—
Loss for the year	(6)	(5)	(5)
<b>Reconciliation to the Company's investments in associates:</b>			
Percentage of equity interest	49%	49%	49%
Share of the associates' profit for the year:	(3)	(3)	(3)

As of December 31, 2019 and 2018, the Company's associates had no contingent liabilities or capital commitments.

**20. TRADE AND OTHER PAYABLES**

	As of December 31,	
	2019	2018
	US\$'000	US\$'000
<b>Trade payables</b>	10,509	15,941
<b>Other payables</b>	6,370	5,186
	<b>16,879</b>	<b>21,127</b>

Other payables included refund liabilities arising from contracts with customers, which amounted to \$4,393 and \$3,831 as of December 31, 2019 and 2018, respectively.

**21. EMPLOYEE BENEFIT**

	As of December 31,					
	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Employee benefit liabilities</b>						
Pension-Defined benefit plans	1,436	10,306	11,742	855	8,161	9,016
Long service leave	452	128	580	427	112	539
<b>Total</b>	<b>1,888</b>	<b>10,434</b>	<b>12,322</b>	<b>1,282</b>	<b>8,273</b>	<b>9,555</b>

**21(a) Pension – Defined contribution plans**

The Company has several defined contribution plans covering its employees in Australia, PRC, Singapore, Thailand, and Taiwan. Contributions to the plan are made monthly. Total charges for the years ended December 31, 2019, 2018 and 2017, were \$1,160, \$1,264, and \$1,280, respectively.

**21(b) Pension – Defined benefit plans**

The defined benefit liability recognized in the consolidated balance sheet in respect to defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for past service costs and actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using future actuarial assumptions about demographic and financial variables that affect the determination of the amount of such benefits.

In accordance with the Thailand labor law, Charoong Thai and its subsidiaries are obliged to make payment to retiring employees, at rates of 1 to 13 times of their final month's salary rate, depending on the length of service. In addition, Charoong Thai also has the extra benefit plan to make payment to qualified retiring employees, at rates of 1 to 26 times of final month's salary. The plan is not funded. The Company pays to settle the obligations as and when employees retire.

**21. EMPLOYEE BENEFIT (continued)****21(b) Pension – Defined benefit plans (continued)**

The following tables summaries the components of net benefit expense recognized in the income statement and the funded status and amounts recognized in the consolidated balance sheet for the plan:

Net benefit cost	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Current service cost	546	419	360
Past service cost	121	—	—
Interest cost on benefit obligation	254	202	210
<b>Net benefit cost</b>	<b>921</b>	<b>621</b>	<b>570</b>

Other comprehensive income	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Actuarial (gain) / loss – experience	494	396	251
Actuarial (gain) / loss – demographic assumption	18	1	184
Actuarial (gain) / loss – financial assumption	1,215	13	337
<b>Actuarial loss</b>	<b>1,727</b>	<b>410</b>	<b>772</b>

Change in the defined obligation	For the year ended December 31,		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Defined benefit obligation at January 1	9,016	8,293	6,652
Current service cost	546	419	360
Past service cost	121	—	—
Interest cost on benefit obligation	254	202	210
Benefits paid directly by the Company	(535)	(352)	(274)
Actuarial loss in other comprehensive income	1,727	410	772
Exchange differences	613	44	573
<b>Defined benefit obligation at December 31</b>	<b>11,742</b>	<b>9,016</b>	<b>8,293</b>

**Actuarial assumptions**

The significant assumptions used in determining the actuarial present value of the defined benefit obligations for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
	%	%
Discount rate	1.5	2.6 ~ 2.7
Rate of salary increase	5.0~6.0	5.0 ~ 6.0
Pre-retirement mortality		* Thailand TMO17 Tables
	* Thailand TMO17 Tables	Tables

\* TMO represented as Thailand Mortality Ordinary Tables



**21. EMPLOYEE BENEFIT (continued)****21(b) Pension – Defined benefit plans (continued)****Maturity profile of defined benefit obligation**

The following pension benefit payments are expected payments to be made in the future years out of the defined benefit plan obligation:

	As of December 31,	
	2019	2018
	US\$'000	US\$'000
Within the next 12 months (next annual reporting period)	1,340	855
Between 2 and 5 years	2,489	2,374
Between 6 and 10 years	4,391	4,187
Beyond 10 years	16,917	17,084
<b>Total expected payments</b>	<b>25,137</b>	<b>24,500</b>
Weighted average duration of defined benefit obligation	9 years	10 - 11 years

**Sensitivity analysis**

A one-percentage point change in the assumed rates would have yielded the following effects:

	2019	2018
	US\$'000	US\$'000
Discount rate – 1% increase	(1,003)	(777)
Discount rate – 1% decrease	1,178	908
Rate of salary increase – 1% increase	1,115	869
Rate of salary increase – 1% decrease	(973)	(762)

The sensitivity result above determines their individual impact on the plan's year-end defined benefit obligation. In reality, the plan is subject to multiple external experience items which may move the defined benefit obligation in similar or opposite directions, while the plan's sensitivity to such changes can vary over time.

**21(c) Long service leave**

The liability for long service leave is recognized in the provision for employee benefits and measured as present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bond with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. As of December 31, 2019 and 2018, the amount of long service leave obligation was \$580 and \$539, respectively.

**22. OTHER CURRENT LIABILITIES**

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
	US\$'000	US\$'000
Contract liabilities	216	756
Dividend payable	674	565
Deferred government grant	—	318
Onerous contracts provisions	238	42
Other current liabilities	1,228	1,591
<b>Total</b>	<b>2,356</b>	<b>3,272</b>

The Company was subject to two expropriations by the PRC government in 2018. The government grant related to the completed appropriation, amounted to \$106, is recognized as other income for the year ended December 31, 2018. The government grant for the expropriation in progress, amounted to \$318, is recognized as other current liabilities as of December 31, 2018, and as other income for the year ended December 31, 2019.

Other current liabilities include undue value added tax, unpaid withholding tax, and other miscellaneous liabilities.

**22(a) Onerous contracts provisions**

	<b>2019</b>	<b>2018</b>
	US\$'000	US\$'000
At January 1	42	555
Recognized	218	37
Reversed	(25)	(544)
Exchange differences	3	(6)
At December 31	<b>238</b>	<b>42</b>

**22(b) Contract Liabilities**

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
	US\$'000	US\$'000
Current contract liabilities		
Advance from customers	93	668
Custodial service	63	71
Transportation service	60	17
<b>Total current contract liabilities</b>	<b>216</b>	<b>756</b>

The Company applied IFRS 15 from January 1, 2018 and recognized contract liabilities when considerations from customers had been received or due before the Company satisfied the performance obligations.

**22. OTHER CURRENT LIABILITIES (continued)**

**22(b) Contract Liabilities (continued)**

**Revenue recognized in relation to contract liabilities**

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
	US\$'000	US\$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
Advance from customers	668	—
Custodial service	59	85
Transportation service	17	28
	<b>744</b>	<b>113</b>

**23. EQUITY**

**23(a) Common shares**

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
	Number of shares	Number of shares
<b>Authorized shares</b>		
Common shares of US\$0.01 each	50,000,000	50,000,000
<b>Common shares issued and fully paid</b>	<b>Number of shares</b>	<b>US\$'000</b>
At December 31, 2019	13,830,769	138
At December 31, 2018	13,830,769	138
At January 1, 2018	13,830,769	138

**23(b) Dividends**

On November 11, 2016, the Company announced that the Board of Directors approved the implementation of a dividend policy as part of the Company's ongoing commitment to increasing shareholder value and return on investment. Pursuant to the dividend policy, subject to review and approval by the Board of Directors, the Company may pay cash dividends of at least 25% of its net post-tax audited consolidated profits attributable to shareholders. As APWC is a holding company, its ability to pay dividends is dependent upon distributions that it receives from its operating subsidiaries and affiliates, which are subject to a number of factors including operating results, capital requirements, expansion plans, debt covenants, business prospects, consideration for non-recurring items and other factors that are deemed relevant from time to time by the respective boards of our subsidiaries and affiliates. The dividend policy will be reviewed on an ongoing basis and updated at the discretion of the Board of Directors as business circumstances and available capital and capital requirements may change.

The Company recognized dividends distributed to owners amounting to \$nil (\$nil per share), \$1,106 (\$0.08 per share) and \$1,382 (\$0.1 per share) for the years ended December 31, 2019, 2018 and 2017, respectively.

**23. EQUITY (continued)****23(c) Other comprehensive income – net of tax**

The disaggregation of changes of other comprehensive income by each type of reserve in equity is shown below:

	<b>For the year ended December 31, 2019</b>			
	<b>Remeasurement of defined benefit plans</b>	<b>Financial assets at FVOCI reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Exchange difference on translation of foreign operations	—	—	10,677	10,677
Re-measuring losses on defined benefit plans	(1,382)	—	—	(1,382)
Changes in faire value of financial assets at fair value through other comprehensive income	—	1,336	—	1,336
	<b>(1,382)</b>	<b>1,336</b>	<b>10,677</b>	<b>10,631</b>

	<b>For the year ended December 31, 2018</b>				
	<b>Remeasurement of defined benefit plans</b>	<b>Available- for-sale reserve</b>	<b>Financial assets at FVOCI reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Reclassification of application of IFRS 9	—	(1,717)	1,717	—	—
Exchange difference on translation of foreign operations	—	—	—	(4,388)	(4,388)
Re-measuring losses on defined benefit plans	(328)	—	—	—	(328)
Changes in faire value of financial assets at fair value through other comprehensive income	—	—	(335)	—	(335)
	<b>(328)</b>	<b>(1,717)</b>	<b>1,382</b>	<b>(4,388)</b>	<b>(5,051)</b>

	<b>For the year ended December 31, 2017</b>			
	<b>Remeasurement of defined benefit plans</b>	<b>Available- for- sale reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Exchange difference on translation of foreign operations	—	—	15,882	15,882
Cumulative translation differences reclassified to profit or loss on liquidation of a subsidiary	—	—	248	248
Re-measuring losses on defined benefit plans	(618)	—	—	(618)
Net loss on available-for-sale financial assets	—	(64)	—	(64)
	<b>(618)</b>	<b>(64)</b>	<b>16,130</b>	<b>15,448</b>

**24. RELATED PARTY TRANSACTIONS**

The related parties are defined as affiliates of the Company; entities for which investments are accounted for by the equity method by the Company; the principal owners of the Company; its management; members of the immediate families of the principal owners of the Company and its management.

Moon View Venture Limited (“Moon View”), PEWC, Singapore Branch, PEWC Singapore Co. (Pte) Ltd., and PEWC (HK) are controlled by PEWC. Moon View is the immediate holding company of the Company. Italian-Thai Development Public Company Limited (“Italian-Thai”) is the non-controlling shareholder of one of the Company’s operating subsidiaries in Thailand. SPHC is one of the Company’s equity investees. Fujikura Limited is a non-controlling shareholder of one of the Company’s operating subsidiaries in Thailand.

**24(a) Outstanding balance with related parties**

The following table provided the total amount of outstanding balance at December 31, 2019 and 2018.

	<u>Amounts due from related parties</u>		<u>Amounts due to related parties</u>	
	<u>As of December 31,</u>		<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000	US\$'000	US\$'000
The ultimate parent company				
PEWC	—	—	862	45
PEWC, Singapore Branch	21	15	—	—
PEWC Singapore Co. (Pte) Ltd.	—	—	1,027	1,005
PEWC (HK)	5,247	5,989	20	399
Associate				
SPHC	196	181	1,362	1,362
Non-controlling shareholder of subsidiary				
Italian-Thai and its affiliates	6,102	5,876	—	—
Fujikura Limited	—	—	—	136
Others	—	—	13	50
<b>Total</b>	<b>11,566</b>	<b>12,061</b>	<b>3,284</b>	<b>2,997</b>

As of December 31, 2019 and 2018, the interest rates on the balance due to PEWC Singapore Co., (Pte) Ltd. range from 3.09% to 3.79% and 2.70% to 3.40%, respectively, and the payables are repayable upon demand. All balances with related parties are unsecured.

**24. RELATED PARTY TRANSACTIONS (continued)****24(b) Transactions with related parties**

The transactions undertaken with related parties are summarized as follows:

		<b>For the year ended December 31,</b>		
		<b>2019</b>	<b>2018</b>	<b>2017</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
The ultimate parent company				
PEWC	Purchases	2,745	521	18,170
	Sales	—	14	1,457
	Fabrication income received	140	412	208
	Management fee paid	199	136	143
	Information technology service fee paid	101	115	114
PEWC, Singapore Branch	Management fee received	14	14	14
PEWC Singapore Co. (Pte) Ltd.	Interest expenses paid	22	21	15
PEWC (HK)	Purchases	—	2,479	4,180
	Sales	17,831	23,498	24,437
	Service fee paid	218	231	—
The immediate holding company				
Moon View	Income from discharge of liability*	—	1,537	—
Non-controlling shareholder of subsidiary				
Italian Thai and its affiliates	Sales	4,188	6,814	6,203
	Construction of factory building expenses	215	—	—
Fujikura Limited	Purchases	249	750	1,115

Moon View discharged the Company's liabilities towards Moon View due to the financial arrangement between related parties. The company wrote off the liabilities amounted to \$1,537 from "due to related parties", and recognized other income amounted to \$1,537 for the year ended December 31, 2018.

**24(c) Terms and condition of transactions with related parties**

The sales to and purchases from related parties are based on negotiation by the entities. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Company purchases from PEWC copper rods as raw materials, low to high voltage power cable, and wire for distribution purposes. The purchase price from PEWC is determined by reference to the quoted copper prices on the LME. No sales commission was received from PEWC during the years ended December 31, 2019, 2018 and 2017.

**24. RELATED PARTY TRANSACTIONS (continued)**

**24(c) Terms and condition of transactions with related parties (continued)**

Pursuant to the composite services agreement with PEWC:

- (i) PEWC will sell copper rod to the Company, upon the Company's request, (1) at a price consisting of the average spot price of copper on the LME for the one month prior to purchase plus an agreed upon premium, (2) at prices and on terms at least as favorable as it provides copper rod to other purchasers of similar amounts of copper rod in the same markets as PEWC and (3) will give priority in the supply of copper rod to the Company over other purchasers of copper rod from PEWC.
- (ii) PEWC grants to the Company the right to distribute any wire or cable product manufactured by PEWC in all markets in which the Company presently distributes or develops the capability to distribute in the future, such products on such terms as have historically been in effect or on terms at least as favorable as PEWC grants to third parties that distribute such products in such markets. However, PEWC shall not be required to grant to the Company the right to distribute products manufactured by PEWC in the future in markets where the Company does not currently have the capability to distribute unless and until PEWC has no pre-existing contractual rights which would conflict with the grant of such right to the Company.
- (iii) PEWC will make available to the Company, upon the Company's request and on terms to be mutually agreed between PEWC and the Company from time to time, access to certain of PEWC's technology (and PEWC personnel necessary to use such technology) with respect to the design and manufacture of wire and cable products, including, without limitation, certain fiber optic technology. The Company benefits from research and development conducted by PEWC at little or no cost to the Company.
- (iv) PEWC will make available to the Company, upon the Company's request and on terms to be mutually agreed between PEWC and the Company from time to time, certain services with respect to the design and manufacture of wire and cable products, computerization, inventory control, purchasing, internal auditing, quality control, emergency back-up services, and recruitment and training of personnel; such services may include the training of the Company's employees and managers at PEWC facilities and the secondment of PEWC employees and managers to the Company.
- (v) Each of PEWC and the Company will offer the other party the right to participate in any negotiations with a third party concerning the establishment of any facility or similar venture to manufacture or distribute any wire or cable product outside of the markets where the Company currently manufactures or distributes, or intends to develop the capability to manufacture or distribute, any wire or cable product. Unless the Company and PEWC mutually agree otherwise, the Company shall have the right of first refusal to enter into any definitive agreement with such third party. If, however, such third party would not agree to the substitution of the Company for PEWC or such substitution would prevent the successful completion of the facility or venture, PEWC will arrange for the Company to participate to the extent possible.

**24. RELATED PARTY TRANSACTIONS (continued)**

**24(d) Compensation of key management personnel of the Company**

	For the years ended December, 31		
	2019	2018	2017
	US\$'000	US\$'000	US\$'000
Short-term employee benefits	3,073	3,814	3,900
Post-employment benefits	179	102	103
Termination benefits	—	47	43
<b>Total compensation paid to key management personnel</b>	<b>3,252</b>	<b>3,963</b>	<b>4,046</b>

The amounts disclosed in the table were recognized as expenses during the reporting periods.

**25. COMMITMENTS AND CONTINGENCIES**

**25(a) Non-cancellable operating lease commitments – the Company as lessee**

The Company leases a piece of land and some buildings in Singapore under non-cancellable operating lease arrangements for terms from 1 to 30 years. From January 1, 2019, the company has recognized right-of-use assets for these leases (see Note 16 and Note 27(c)).

	As of December 31, 2018
	US\$'000
Within one year	616
After one year but not more than five years	1,279
More than five years	1,368
	<b>3,263</b>

**25(b) Finance lease liabilities**

Future minimum payments under finance leases with initial terms of one year or more consisted of the following for December 31, 2018. (see Note 16 and Note 27(c)).

	2018	
	Minimum payments	Present value of payments
	US\$'000	US\$'000
Within one year	47	44
After one year but not more than five years	47	46
More than five years	—	—
Total minimum lease payments	<b>94</b>	<b>90</b>
Less: amount representing finance charges	(4)	—
<b>Present value of minimum lease payment</b>	<b>90</b>	<b>90</b>

The finance lease liabilities are secured by the leased motor vehicles. The average discount interest rate implicit in the lease is 5.18% for 2018.



**25. COMMITMENTS AND CONTINGENCIES (continued)**

**25(c) Purchase commitments**

As of December 31, 2019 and 2018, the Company and its subsidiaries had commitments to purchase raw materials totaling \$200 million to \$290 million and \$136 million to \$176 million (20,996 to 30,580 metric tons and 22,450 to 28,940 metric tons), respectively, from third parties at the prices stipulated in the contracts.

**25(d) Capital commitments**

As of December 31, 2019 and 2018, the Company and its subsidiaries had capital commitment relating to the construction of factory building improvement and acquisition of machinery, totaling \$5.8 million and \$0.6 million, respectively.

**25(e) Guarantees**

As of December 31, 2019 and 2018, one of Charoong Thai's subsidiaries had guarantee obligations of bank credit line of its operating subsidiary at approximately \$0 million and \$2 million, respectively.

As of December 31, 2019 and 2018, the Company provided a corporate guarantee not exceeding the sum of \$24.7 million and \$24.3 million, respectively, for the bond performance and banking facility of Sigma Cable.

As of December 31, 2019 and 2018, there were outstanding bank guarantees of \$38.5 million and \$36.9 million, respectively, issued by the banks on behalf of Charoong Thai and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the companies. These guarantees generally expire within 1 year.

**25(f) Service commitments**

As of December 31, 2019 and 2018, the Company and its subsidiaries had commitments in respect of management consulting services with related parties totaling \$0.3 million and \$0.2 million, respectively.

**26. FAIR VALUE MEASUREMENT****Fair value information:**

As of December 31, 2019

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets (liabilities) - derivatives (Note 11.(a))</b>				
Foreign exchange forward contract	(3)	—	(3)	—
<b>Financial assets at fair value through other comprehensive income (Note 11.(a))</b>				
Unquoted equity instrument				
Thai Metal Processing Co., Ltd.	4,062	—	—	4,062
<b>Assets for which fair values are disclosed:</b>				
Investment properties (Note 17)				
Land	11,566	—	—	11,566
Office buildings	1,460	—	—	1,460

There have been no transfers between Level 1 and Level 2 during the year.

**Fair value information:**

As of December 31, 2018

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets (liabilities) - derivatives (Note 11.(a))</b>				
Foreign exchange forward contract	(142)	—	(142)	—
<b>Financial assets at fair value through other comprehensive income (Note 11.(a))</b>				
Unquoted equity instrument				
Thai Metal Processing Co., Ltd.	2,332	—	—	2,332
<b>Assets for which fair values are disclosed:</b>				
Investment properties (Note 17)				
Land	10,656	—	—	10,656
Office buildings	1,397	—	—	1,397

There have been no transfers between Level 1 and Level 2 during the year.

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES**

Financial risks are those derived from financial instruments the Company is exposed to during or at the closing of each fiscal year. The objective of the Company's financial risk management is to minimize its risk exposure against various financial risks, which include market risk, credit risk and liquidity risk. The Company uses derivative instruments to cover certain risks when it considers them necessary. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Company manages its exposure to key financial risks, as described in the succeeding paragraphs.

**27(a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, equity price risk, foreign currency risk and commodity price risk. Financial instruments affected by market risk include loans and borrowings, financial instruments at fair value through profit or loss, and financial instruments at fair value through other comprehensive income.

The sensitivity analysis in the following sections relate to the position as of December 31, 2019 and 2018.

The analysis excludes the impact of movements in market variables on the carrying value of other post-retirement obligations provisions and on the non-financial assets and liabilities of foreign operations.

**(i) Interest rate risk**

The Company's exposure to interest rate risk arises from borrowing at floating interest rates. Changes in interest rate will affect future cash flows but not the fair value. Less than 25% of the Company's financial liabilities bear floating interest rate, and the rest of its financial liabilities bear fixed interest rate which are close to the market rate or are non-interest bearing.

At the reporting dates, a change of 30 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2019 and 2018 to increase/decrease by \$46 and \$64, respectively.

**(ii) Equity price risk**

The Company's exposure to equity price risk arises from unquoted instrument held by the Company and classified in the balance sheet as non-current financial assets at fair value through other comprehensive income.

The fair value and the sensitivity analysis of the held equity instrument are disclosed in Note 11(d).

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)****27(a) Market risk (continued)****(iii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates arise from sales, purchases and borrowings by operating units in currencies other than the unit's functional currency. The Company's principal operations are located in Thailand, the PRC, Singapore and Australia and a substantial portion of its revenues are denominated in Thai Baht, RMB, Australian dollars or Singapore dollars, whereas a substantial portion of the Company's cost of sales are denominated in US dollars, its reporting currency. Any devaluation of the functional currencies of the Company's principal subsidiaries against the US dollar would likely have an adverse impact on the operations of the Company. The Company currently does not maintain a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The balance of financial assets and liabilities denominated in a currency different from the Company's each functional currency are summarized below.

	<u>Financial Assets</u>		<u>Financial Liabilities</u>	
	<u>As of December 31,</u>		<u>As of December 31</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
United States dollar (USD)	19,263	21,529	4,802	25,733
Thai Baht (THB)	346	349	87,779	30
Singapore dollar (SGD)	233	170	20	62
Taiwan dollar (TWD)	9,711	5,227	7,648	4,872
Renminbi (RMB)	119	19	—	179
Hong Kong dollar (HKD)	7,526	20,005	83	43
Australian dollar (AUD)	—	66	—	—
Euro (EUR)	—	—	—	199
Japanese yen (JPY)	—	—	—	14,768

**Foreign currency sensitivity**

The following table demonstrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change of each foreign currency exchange rates against all other non-functional currencies, with all other variables held constant.

	<u>Change rate</u>	<u>USD</u>	<u>THB</u>	<u>SGD</u>	<u>TWD</u>	<u>RMB</u>	<u>HKD</u>	<u>AUD</u>	<u>JPY</u>	<u>EUR</u>
		<b>2019</b>	5%	723	(147)	8	3	1	48	—
	-5%	(723)	147	(8)	(3)	(1)	(48)	—	—	—
<b>2018</b>	5%	(210)	—	4	1	(1)	127	2	(7)	(11)
	-5%	210	—	(4)	(1)	1	(127)	(2)	7	11

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)****(iv) Commodity price risk**

The Company is affected by the volatility of certain commodities. Copper is the principal raw material used by the Company. The Company purchases copper at price closely related to the prevailing international spot market on the London Metal Exchange for copper. The price of copper is influenced heavily by global supply and demand as well as speculative trading. Consequently, a change in the price of copper will have a direct effect on the Company's cost of sales. The Company does not use derivative instruments to hedge the price risk associated with the purchase of this commodity. However, we cover some of these risks through long-term purchase contracts.

**Commodity price sensitivity**

The following table shows the potential effect of price changes in copper.

	Change in year-end price	Effect on profit before tax	Effect on equity
	US\$'000	US\$'000	US\$'000
2019	+16%	(3,473)	N/A
Copper	-16%	3,473	N/A
2018	+23%	6,461	N/A
Copper	-23%	(6,461)	N/A

On average, copper composes around 82% and 85% of the product cost in 2019 and 2018, respectively. The above sensitivity analysis is based on the most significant fluctuation rate of the month in 2019 as compared to the same month in 2018 and the most significant fluctuation rate of the month in 2018 as compared to the same month in 2017 and one month manufacturing lead time to estimate its impact on profit before tax in 2019 and 2018, respectively.

**27(b) Credit risk**

Credit risk arises from cash and cash equivalents, bank deposits, foreign currency forward contracts, trade receivables, contract assets, other receivables excluding bank deposits, and amounts due from related parties. The Company's exposure to credit risk arises from default of counterparty, with maximum exposure equal to the carrying amount of these financial instruments.

**(i) Risk management**

The Company maintains cash and cash equivalents, as well as bank deposits with various financial institutions located in Singapore, Thailand, Australia, Hong Kong and the People's Republic of China. The Company's policy is designed to limit its exposure to any one institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy.

Foreign currency forward contracts are only used for economic hedging purposes and not as speculative investments. The counterparties on these forward contracts are banks with international operations and good credit quality.

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)****27(b) Credit risk (continued)**

Concentrations of credit risk with respect to trade receivables and contract assets are limited due to the large number of entities comprising the Company's customer base. The Company analyses the credit risk for each of the new clients before credit limits are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The Company carefully assesses the financial strength of its customers and generally does not require any collateral. Compliances with credit limits are monitored, and exceptions beyond a certain threshold are discussed regularly. Customers' credit terms are extended over time only when they establish good payment patterns with the Company. Other receivables excluding bank deposits mainly contain doubtful receivables from customers. The Company obtains collateral in respect of those material receivables, and performed the valuation of the collateral.

The Company enters into transactions with related parties in the ordinary course of its business. Refer to Note 24(c) for the Company's general credit risk management practices.

**(ii) Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- ▶ when there is a breach of financial covenants by the debtor; or
- ▶ information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

**(iii) Measurement and recognition of expected credit losses**

The Company recognizes a loss allowance for expected credit losses on trade receivables and contract assets by using a provision matrix. Refer to Note 12(c) for the approach used to measure expected credit losses of trade receivables, Note 12(b) for the loss allowance recognized, and Note 12(a) for changes in the loss allowance on trade receivables. While contract assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company applies the general approach for all other financial assets that are subject to the expected credit loss model. The expected credit losses of the respective financial instruments for the years ended December 31, 2019 and 2018 were immaterial. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was also immaterial.

**(iv) Write off policy**

Financial instruments are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than generally 90 days past due.

**(v) Concentrations of credit risk**

As of December 31, 2019 and 2018, trade receivables from one customer represented 9.31% and 8.2% of total trade receivables of the Company, respectively. The credit concentration risk of other trade receivables is insignificant.

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)****27(c) Liquidity risk**

Liquidity risk arises from the financial liabilities of the Company and its subsidiaries and their subsequent ability to meet obligations to repay their financial liabilities as and when they fall due. Management manages the Company's liquidity risk by closely monitoring cash flow from the operations. The Company has about \$54 million in cash and cash equivalents, \$208 million in unutilized amounts of bank loans, and the total financial liabilities is \$35 million at the reporting date, which for financial assets and liabilities results in a net asset position. Liquidity risk is considered low as of December 31, 2019. Refer to Note 29 for development subsequent to year end.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payment obligations.

	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As of December 31, 2019</b>					
<b>Financial liabilities</b>					
Interest-bearing loans and borrowings	11,484	—	—	—	11,484
Trade and other payables	16,879	—	—	—	16,879
Due to related parties	3,284	—	—	—	3,284
Financial liabilities at fair value through profit or loss	3	—	—	—	3
Lease liability	656	910	444	1,182	3,192
	<u>32,306</u>	<u>910</u>	<u>444</u>	<u>1,182</u>	<u>34,842</u>
<b>As of December 31, 2018</b>					
<b>Financial liabilities</b>					
Interest-bearing loans and borrowings	25,151	—	—	—	25,151
Trade and other payables	21,127	—	—	—	21,127
Due to related parties	2,997	—	—	—	2,997
Financial liabilities at fair value through profit or loss	142	—	—	—	142
Finance lease liability	47	36	11	—	94
	<u>49,464</u>	<u>36</u>	<u>11</u>	<u>—</u>	<u>49,511</u>

**27(d) Capital management**

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and maintain healthy capital ratios in order to support its business, maximize shareholders' value and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risks characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or conduct stock repurchase programs. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and 2018.

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)****27(d) Capital management (continued)**

In line with industry practices, the Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
	US\$'000	US\$'000
Interest bearing loans and borrowings	11,356	24,814
Trade and other payables	16,879	21,127
Less: cash and cash equivalents	<u>(53,673)</u>	<u>(60,778)</u>
Net debt	(25,438)	(14,837)
Total Equity	<u>228,435</u>	<u>221,816</u>
<b>Capital and net debt</b>	<b><u>202,997</u></b>	<b><u>206,979</u></b>
Gearing ratio	0.0%	0.0%

The Company has no direct business operations other than its ownership of the capital stock of its subsidiaries and equity investees holdings. As a holding company, the Company's ability to pay dividends, as well as to meet its other obligations, depends upon the amount of distributions, if any, received from the Company's operating subsidiaries and other holdings and investments. The Company's operating subsidiaries and other holdings and investments, from time to time, may be subject to restrictions on their ability to make distributions to the Company, including as a result of restrictive covenants contained in loan agreements, restrictions on the conversion of local currency earnings into U.S. dollars or other hard currency and other regulatory restrictions. For example, PRC legal restrictions permit payments of dividends by our business entities in PRC only out of their retained earnings, if any, determined in accordance with relevant PRC accounting standards and regulations. Under PRC law, such entities are also required to set aside a portion of their net income each year to fund certain reserve funds. These reserves are not distributable as cash dividends. The foregoing restrictions may also affect the Company's ability to fund operations of one subsidiary with dividends and other payments received from another subsidiary.

**27(e) Collateral**

The credit lines of the Company were collateralized by:

- (i) Mortgage of the Company's land, buildings, machinery and equipment, investment properties and land use rights with a total carrying amount of \$15,099 at December 31, 2019 (2018: \$9,084);
- (ii) Pledge of other receivables of \$4,847 at December 31, 2019 (2018: \$7,525) ;
- (iii) Corporate guarantee issued by the Company and a subsidiary of the Company.
- (iv) A trading facility was secured by all the assets and uncalled capital with total carrying amount of \$27,454 of a subsidiary as of December 31, 2019 (2018: \$ 27,731).

The weighted average interest rates on bank loans and overdrafts as of December 31, 2019 and 2018 were 3.72% and 3.68% per annum, respectively.



**28. CASH FLOW INFORMATION**

**28(a) Investing activities with partial cash payments**

	For the year end December 31,	
	2019	2018
	US\$'000	US\$'000
Acquisition of property, plant and equipment	3,406	4,498
Add: Payable for PPE or CIP - Opening	213	311
Less: Payable for PPE or CIP - Ending	(355)	(213)
Less: Prepayment for PPE & CIP - Opening	(210)	(304)
Add: Prepayment for PPE & CIP - Ending	2,388	210
Less: acquisition by means of a lease	—	(61)
Cash paid during the year	<b>5,442</b>	<b>4,441</b>

**28(b) Reconciliation of liabilities arising from financing activities**

	Interest-bearing	Financial lease	Total
	loans and borrowings	liabilities	
	US\$'000	US\$'000	US\$'000
<b>Balance at January 1, 2017</b>	<b>41,151</b>	<b>78</b>	<b>41,229</b>
Changes in cash flows	-16,220	(46)	(16,266)
Foreign exchange adjustments	(117)	(8)	(125)
Acquisition of PP&E by means of a lease	—	61	61
Other changes	—	5	5
<b>Balance at December 31, 2018</b>	<b>24,814</b>	<b>90</b>	<b>24,904</b>
Recognized on adoption of IFRS 16	—	<b>2,651</b>	<b>2,651</b>
Changes in cash flows	(14,462)	(426)	(14,888)
Foreign exchange adjustments	1,004	29	1,033
Acquisition leases	—	476	476
Other changes	—	8	8
<b>Balance at December 31, 2019</b>	<b>11,356</b>	<b>2,828</b>	<b>14,184</b>

## 29. SUBSEQUENT EVENT

### 29(a) CTW dividend payments

On March 20, 2020, the Board of Directors of Charoong Thai declared a cash dividend distribution to its shareholders amounted to \$2.9 million (Baht 79.6 million, equivalent to Baht 0.2 per share), \$ 1.4 million of which will be distributed to non-controlling interest. The dividend will be paid on May 15, 2020. This dividend distribution plan requires the approval of the 2019 Annual General Meeting of Shareholders of Charoong Thai.

### 29(b) COVID-19 Could Have a Material Adverse Effect on Our Business, Financial Condition and Results of Operations

The recent outbreak in China of the Coronavirus Disease 2019 (“COVID-19”), which has been declared by the World Health Organization to be a “public health emergency of international concern,” has spread across the globe and is impacting worldwide economic activity and financial markets. Our manufacturing and production have been affected by the outbreak of COVID-19. COVID-19 has disrupted our operations and the operations of our suppliers, customers, and other business partners and may continue to do so for an indefinite period of time, including as a result of travel restrictions and/or business shutdowns. A slowdown in economic activity as a result of COVID-19 can be expected to result in a reduction in demand for our products. The outbreak of COVID-19 has also resulted in a decline in the price of copper, which has had the effect of reducing the market value of our inventory of copper.

Due to the measures instituted in China in response to COVID-19, our China production facilities have been operating below normal production levels and our production levels have not yet fully recovered to normal levels. We do not know when our production levels will recover to normal levels.

In addition, the Singapore Government has ordered most business to close from April 7, 2020 until June 1, 2020. We have been permitted to continue to operate during this period with reduced on site staff. Since April 7, 2020, approximately half of the employees of our Singapore operations have been working from home while the remaining employees have continued to work on site. We do not know if the Singapore Government will extend (or otherwise alter the terms of) its order requiring most business to close or whether our employees who continue to work on site will continue to be permitted to do so.

This is a rapidly evolving situation and the impact of COVID-19 on the global economy and our business is uncertain at this time. While it is not possible at this time to estimate the impact that COVID-19 could have on worldwide economic activity and our business, the continued spread of COVID-19 and the measures taken by governments, businesses and other organizations in response to COVID-19 are expected to reduce our revenues and could have a material adverse impact our business, financial condition and results of operations.

**29(c) Continued Listing Standards Letter from Nasdaq**

On November 21, 2019, the Company received written notification (the "Market Value Notification Letter") from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that it was not in compliance with the \$5 million minimum market value of publicly held shares requirement set forth in the Nasdaq rules for listing on the Nasdaq Global Market tier. In accordance with the Nasdaq Listing Rules, the Company was provided 180 calendar days, or until May 19, 2020 (the "Compliance Period"), to regain compliance. On April 16, 2020, Nasdaq announced that, as of April 16, 2020, Nasdaq was tolling the compliance periods for bid price and market value of publicly held shares ("MVPHS") requirements (collectively, the "Price-based Requirements") for all listed companies through June 30, 2020. As a result, companies presently in compliance periods for any Price-based Requirements will remain at that same stage of the process through June 30, 2020 and, commencing on July 1, 2020, companies will receive the balance of any pending compliance period in effect at the start of the tolling period to regain compliance. Accordingly, since the Company had 33 calendar days remaining in its MVPHS compliance period as of April 16, 2020, it will, upon reinstatement of the Price-based Requirements, still have 33 calendar days from July 1, 2020, or until August 3, 2020, to regain compliance. Nasdaq has informed us that the Company can regain compliance, either during the suspension or during the compliance period resuming after the suspension, by evidencing compliance with the Price-based Requirements for a minimum of 10 consecutive trading days. For the Company to regain compliance, the market value of our publicly held shares has to equal or exceed \$5 million for a minimum of 10 consecutive business days. On April 22, 2020, the minimum market value of our publicly held Common Shares was \$3,592,234. If the Company does not regain compliance by August 3, 2020, Nasdaq has informed us that Nasdaq will delist the Company's common shares from Nasdaq unless the Company requests a hearing before the Nasdaq Hearings Panel or unless the Company transfers its listing of the Common Shares to the Capital Market tier, which transfer would require that the Company then meet the criteria for transfer to the Capital Market tier. The Company will closely watch the stock price trend to see whether to take actions to meet MVPHS requirements.

Other than the above events, the Company is not aware of any matter or circumstance that has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

**30. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issuance by the board of directors on April 24, 2020.