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**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, 2017**

**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)

**7/FI. B, No. 132, Sec. 3**

**Min-Sheng East Road**

**Taipei, 105, Taiwan**

**Republic of China**

(Address of principal executive offices)

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

**Title of each class**

**Name of each exchange on which registered**

**Common Shares, par value 0.01 per share**

**NASDAQ Global Market**

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**

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” 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 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 accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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## FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this Annual Report on Form 20-F contain some forward-looking statements. 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” 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;
- 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
- our liquidity.

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.

This discussion is permitted by the Private Securities Litigation Reform Act of 1995.

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## OTHER 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” and 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 “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 wire.

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

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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****3.1 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, 2017, 2016, 2015, 2014 and 2013, 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 included in “Item 18: Financial Statements.”

## For the Year Ended December 31,

	2017	2016	2015	2014	2013
	(in US\$ thousands)				
<b>Income Statement Data:</b>					
Sales of goods / services	\$ 425,215	\$ 384,565	\$ 389,632	\$ 451,327	\$ 460,676
Costs of sales	(385,527)	(352,957)	(366,143)	(414,583)	(408,860)
Gross profit	39,688	31,608	23,489	36,744	51,816
Other operating income	5,084	5,441	1,140	1,459	1,201
Selling, general & administrative expenses	(27,248)	(26,325)	(27,007)	(29,510)	(34,640)
Other operating expenses	(909)	(3,386)	(332)	(2,168)	(196)
Operating profit/(loss)	16,615	7,338	(2,710)	6,525	18,181
Finance cost	(1,221)	(1,147)	(1,547)	(1,697)	(1,734)
Finance income	876	1,045	697	1,167	1,306
Share of loss of associates	(3)	(710)	(801)	(338)	(211)
Gain on disposal of investment	—	—	—	—	232
Loss on disposal of a subsidiary	—	—	—	(178)	—
Impairment of investment in associates	—	(126)	—	—	—
Loss on disposal of a subsidiary	(261)	—	—	—	—
Exchange gain (loss)	2,784	(38)	(4,223)	(87)	(1,449)
Other income	214	267	119	104	110
Other expense	(336)	(94)	(180)	(49)	(260)
Income/(loss) from continuing operations before income taxes	18,668	6,535	(8,645)	5,447	16,175
Income taxes expense	(5,140)	(510)	(466)	(2,219)	(5,753)
Net income/(loss)	\$ 13,528	\$ 6,025	\$ (9,111)	\$ 3,228	\$ 10,422
Net income/(loss) attributable to non-controlling interests	\$ 4,808	\$ 3,172	\$ (1,417)	\$ 2,194	\$ 5,405
Net income/(loss) attributable to APWC	8,720	2,853	(7,694)	1,034	5,017
Basic and diluted profit/(loss) per share(1)	\$ 0.63	\$ 0.21	\$ (0.56)	\$ 0.07	\$ 0.36

(1) The calculation of the earnings per share is based on 13,819,669, 13,819,669, 13,819,669, 13,819,669 and 13,820,200 basic and diluted weighted Common Shares issued and outstanding for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively.

## As of December 31,

	2017	2016	2015	2014	2013
	(in US\$ thousands)				
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 46,093	\$ 48,231	\$ 51,303	\$ 68,863	\$ 62,509
Working capital	181,752	157,012	144,306	168,213	172,701
Total assets	334,843	293,596	305,256	378,694	364,635
Total debt	42,688	29,762	39,238	55,400	43,521
Net assets	222,826	197,175	193,275	219,931	226,704
Capital stock	138	138	138	138	138
Total APWC shareholders' equity	153,328	135,950	134,309	151,547	155,625

### 3.2 Exchange Rates

Unless otherwise specified, all references in this Annual Report to “\$,” “U.S. dollars”, “USD” or “US\$” are to United States dollars; 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.

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, 2017. The respective Noon Buying Rates on December 31, 2017 were US\$ 1.00 = Bt 32.56; S\$ 1.336; RMB 6.506; and A\$1.280. The respective Noon Buying Rates on March 31, 2018, the latest practicable date before publication of this Annual Report, were US\$ 1.00 = Bt 31.19; S\$ 1.311; RMB 6.273 and A\$ 1.300. 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.

<b>Year Ended December 31,</b>	<b>At Period End</b>	<b>Average(1)</b>	<b>High</b>	<b>Low</b>
	<b>(Bt per \$1.00)</b>			
2013	32.68	30.85	32.85	28.60
2014	32.90	32.54	33.08	31.74
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

(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 2017	33.43	33.04
November 2017	33.17	32.55
December 2017	32.77	32.49
January 2018	32.44	31.33
February 2018	31.84	31.27
March 2018	31.54	31.12

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.

	<b>At Period End</b>	<b>Average(1)</b>	<b>High</b>	<b>Low</b>
	<b>(S\$ per \$1.00)</b>			
2013	1.262	1.253	1.283	1.220
2014	1.324	1.270	1.324	1.238
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

(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 2017	1.367	1.351
November 2017	1.365	1.345
December 2017	1.353	1.336
January 2018	1.336	1.304
February 2018	1.331	1.310
March 2018	1.325	1.308

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(1)</b>	<b>High</b>	<b>Low</b>
	<b>(RMB per \$1.00)</b>			
2013	6.054	6.141	6.244	6.054
2014	6.205	6.170	6.259	6.040
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

(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 2017	6.653	6.571
November 2017	6.639	6.597
December 2017	6.621	6.506
January 2018	6.526	6.284
February 2018	6.347	6.265
March 2018	6.357	6.269

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(1)</b>	<b>High</b>	<b>Low</b>
	<b>(A\$ per \$1.00)</b>			
2013	1.120	1.048	1.129	0.945
2014	1.224	1.115	1.235	1.054
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

(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 2017	1.305	1.268
November 2017	1.324	1.295
December 2017	1.332	1.280
January 2018	1.278	1.234
February 2018	1.284	1.246
March 2018	1.303	1.269

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>.

### **3.3 Risk Factors**

You should carefully consider the following risks before you decide to buy our Common Shares. If any one of these risks or uncertainties were to occur, our business, financial condition, results and performance could be seriously harmed and/or the price of our Common Shares might significantly decrease. 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 immaterial also may adversely affect our businesses, results of operations, condition (financial or otherwise) and the value of any investment in our Common Shares.

### 3.3.1 Risks Related to Financial Reporting

#### *Disclosure Controls and Procedures and Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Rule 13a-15(f) under the Securities Exchange Act of 1934 (the “**Exchange Act**”).

The Company’s evaluation of its internal controls over financial reporting is conducted under the applicable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”). The evaluation is conducted by our management, including our chief executive officer (“**CEO**”) and chief financial officer (“**CFO**”). As of the assessment date for our annual report on Form 20-F for the year ended December 31, 2015, our management, including our CEO and our CFO, had concluded, based upon the information then available to them, that there was not any material weakness in the Company’s internal controls over financial reporting for the fiscal year ended December 31, 2015. However, during the course of 2016, the Company determined that certain accounting errors had been occurring since 2009 in the computation of accrued liabilities in its North Asia region due to the application of inaccurate foreign exchange rates to calculate those liabilities, particularly the U.S. dollar/RMB exchange rate. In March 2017, the Company’s Audit Committee, upon the recommendation of the Company’s executive officers, concluded that, due to those accounting errors, the Company’s previously issued consolidated financial statements for the fiscal years 2013 through 2015, should no longer be relied upon. Accordingly, the Company restated its previously issued consolidated financial statements and related financial information contained therein as of December 31, 2015 and 2014 and for each of the years ended December 31, 2015, 2014 and 2013. In addition, certain 2012 financial results were adjusted due to the identified material weakness. The Company undertook a restatement and, on April 28, 2017, we filed an annual report on Form 20-F/A (Amendment No. 1) for the fiscal year ended December 31, 2015 to restate previously issued annual financial statements and related financial information contained therein as of December 31, 2015, and 2014 and for the years ended December 31, 2015, 2014, and 2013 (the “**Amended Annual Report**”). In the Amended Annual Report, the Company corrected the accounting errors that arose out the material weakness identified in that report and concluded that its internal controls over financial reporting were effective as of the filing date of the Amended Annual Report. While our management has taken remedial measures to address the material weaknesses that gave rise to the requirement to restate previously-issued financial statements, the Company cannot be certain that those remedied material weaknesses will not re-occur or that new material weaknesses will not take place in the future.

#### *Reporting of Financial Results*

The Company is currently compliant with its reporting obligations under the Exchange Act. As a foreign private issuer, the Company is not required by the rules of the Commission to provide financial results on a quarterly or semi-annual basis. In addition, Bermuda law does not require the Company to provide interim financial information to its shareholders, whether on a quarterly or semi-annual basis. As such, investors may not have the same access to financial information of the Company as they customarily receive in the case of a domestic issuer disclosing quarterly results on a Form 10-Q. Under the NASDAQ rules; however, listed issuers are required to report semi-annual unaudited financial results, which the Company has been doing since its listing on NASDAQ.

### **3.3.2 The audit report included in this annual report is prepared in reliance on audit work of the auditor’s China affiliate, who are not inspected fully by the Public Company Accounting Oversight Board and, as such, our shareholders are deprived of the benefits of inspection by it.**

As an auditor of companies that are publicly traded in the United States and a firm registered with the Public Company Accounting Oversight Board, or PCAOB, PricewaterhouseCoopers is required under the laws of the United States to undergo regular inspections by the PCAOB. However, because we have substantial operations within the People’s Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese government authorities, our auditor relied on its China affiliate’s audit work that is not currently inspected fully by the PCAOB. Investors should be aware that the lack of PCAOB oversight of audit work performed on APWC’s operations within China may potentially increase the risk of material error in the reported audited results of the Company’s Chinese operations.

Inspections of other auditors conducted by the PCAOB outside of China have at times identified deficiencies in those auditors' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections of audit work undertaken in China prevents the PCAOB from regularly evaluating our auditor's China affiliate's audits and the quality control procedures. As a result, shareholders currently are deprived of the benefits of PCAOB inspections, and may have greater uncertainty regarding our reported financial information and procedures and the accuracy and completeness of our financial statements, as they relate to our Chinese operations

### **3.3.3 Risks Related to the Fluctuations in the Exchange Rates and the Cost of Raw Materials**

The economies of the world's leading industrialized nations have experienced a period of prolonged growth since the "Great Recession" of 2008. That growth was fueled in part by artificially low interest rates, first initiated by the U.S. Federal Reserve Bank (the "U.S. Fed") and the central banks of most of the leading industrialized nations, which lowered their short-term interest rates to near zero in an effort to stimulate borrowing and increase economic activity. The U.S. Fed and certain other of those central banks also undertook a series of government bond repurchase programs to enhance market liquidity and to maintain a very low interest rate environment. The extremely low cost of borrowing, which continued for an extremely long period of time, enhanced liquidity and facilitated borrowing to stimulate investment. In December 2017, the U.S. Fed voted to raise its benchmark rate to between 1.25% and 1.5%, which is the fifth benchmark interest rate increase by the U.S. Fed since December 2015. An increase in U.S. dollar borrowing costs and any increase in the strength of the US\$ in foreign exchange markets could 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 US dollars, our reporting currency, these operating subsidiaries would suffer a decrease in reported revenue and operating profits due to foreign currency translation if one takes into account only 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 copper purchases are based on U.S. dollar quotations, which mean the operating subsidiaries would have to pay more in local currency in order to meet their trade payable obligations.

#### *Impact of Stronger U.S. Dollar Exchange Rates*

The rate of exchange for the U.S. dollar as against our functional currencies can have a material impact on our financial results. In effect, an increase in the strength of the U.S. dollar would increase our costs of raw materials and our costs of borrowing, while reducing our revenues as reported in our reporting currency, the U.S. dollar.

#### *Price Volatility for our Principal Raw Material*

A comparison of copper prices on the London Metals Exchange (the "LME"), between year-end 2016 and year-end 2017 shows that the average price for copper increased from \$4,863 per metric ton to \$6,163 per metric ton by year-end 2017, representing a 26.7% price increase. The increase in the average LME copper price in 2017 was a material contributing factor to the growth in 2017 of our average selling price compared with 2016.

Consistent with industry practice, the Company is typically able to pass on the increase in cost of raw material to its customers. This also resulted in a better turnover for the entire year of 2017. With the increase in copper and commodity prices in 2017, customers have sometimes been rushing in with order placements in the expectation that prices may further increase. However, commodity prices, including copper, are highly volatile. The benefits to the Company arising from copper price increases would not be sustainable in the event of a downturn in copper demand, and therefore its pricing. In such a case, the Company could find itself with overvalued inventory that requires a valuation write-down, which has happened in the past.

The Company is unable to determine the precise impact of the volatility of copper prices, and on its operations and cash flow, since its operating results are also affected by factors that are, or may be, unrelated to the economic volatility and the pricing pressures on commodity prices, such as the completion of routine purchase cycles by customers and the completion, expansion or contraction of large infrastructure projects. While the Company is of the opinion that higher copper prices positively impacted the Company's 2017 result of operations and cash flow, the Company believes that any efforts to forecast likely future performance with any degree of specificity would be fraught with uncertainty. Accordingly, the Company cautions against placing reliance on any efforts to identify trends for the foreseeable future.

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

#### *Consolidation of Charoong Thai Group Accounts*

As of December 31, 2017, 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**”). The Company's present intention is to maintain majority ownership of the voting securities of Charoong Thai. 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 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 events could have a material adverse effect on the value of the Common Shares.

#### *Trading Price of Common Shares*

Since the Great Recession, the major indices of the leading securities exchanges, including NASDAQ where the APWC Common Shares are traded, have increased significantly in value. The NASDAQ Composite has increased over 550% since its nadir in March 2009. The trading price of the Company's Common Shares has not benefited from the overall, but not universal, increase in the trading prices of many equity securities. The Company believes that a number of factors have contributed to that result, including that growth on NASDAQ has been focused primarily on issuers operating in the technology sector which often command a high price-earnings ratio, the Company may be perceived to carry risks often associated with Chinese companies even though APWC is a Bermuda company and the majority of its business is in Asian markets other than China, the limited liquidity of the Common Shares, the intense private competition facing the Company which makes sales growth more challenging, the increased competition within the wire and cable industry from state-subsidized enterprises which increases pricing pressures particularly when those enterprises may be able to sell below cost, and the explosive growth of wireless communications products which draw demand and investment away from telecommunications wire and cable, among other factors.

#### *Potential Illiquidity of Common Shares*

Approximately 75.5% of our Common Shares are either unregistered securities or registered securities held by affiliates (or were repurchased by the Company), which are subject to restrictions on trading. Accordingly, approximately 75.5% of our Common Shares are not fully liquid investments. APWC has been listed on NASDAQ since April 2011; however, the volume of trading in our Common Shares has not been significant. The value of our Common Shares may be impacted negatively by their relative illiquidity when compared to the publicly-traded shares of many other issuers.

### *Control of the Company Rests with Majority Shareholder; Controlled Company Exemption; Risks Related to PEWC*

As the majority shareholder, Pacific Electric Wire & Cable Co., Ltd. (“**PEWC**”), a Taiwanese company, has sufficient votes to control the outcome of any matters presented for a shareholder vote, including the election of each member of the Board of Directors of the Company (“**Board of Directors**”). 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 Common Shares of the Company are traded on the NASDAQ Global Market tier. However, as the Company has a more than fifty percent (50%) shareholder, the Company is entitled to rely 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.

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. The financial and corporate governance issues that continue for PEWC may increase the uncertainty regarding its ability to perform under the Composite Services Agreement between PEWC and the Company, although to date PEWC has met its obligations under that agreement. (See---section 10.3 Material Contracts).

#### *Limited Trading Volume*

Although our Common Shares are 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 their ability to sell their Common Shares quickly or in substantial amounts is adversely affected by the limited public trading market. Thinly-traded 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 (March 2016 – March 2018) were \$3.10 and \$1.54, respectively. In the future, our Common Shares may experience significant price fluctuations which could adversely affect the value of your ownership interest in the Company.

#### *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 (discussed in section 10.3). In addition, some of these persons will devote time to the business and affairs of PEWC and its affiliates as is appropriate under the circumstances, which could reduce the amount of time available for overseeing or managing our business and affairs. Notwithstanding any such potential conflicts, however, such individuals, in their capacities as our directors and officers, are subject to fiduciary duties to our shareholders.

The Bermuda Companies Act 1981, as amended (the “**Companies Act**”), subjects our officers and directors to certain fiduciary standards in the exercise of their executive and management duties on behalf of the Company. Under the Companies Act, an officer of ours (which term includes our directors) is subject to a duty of care requiring him to act honestly, in good faith and in the best interests of the Company in the discharge of his duties and to, among other things, give notice to the Board of Directors at the first opportunity of any interest he has in any material contract or proposed material contract with us or any of our subsidiaries. The Companies Act also prohibits us, subject to certain exceptions, from making loans to any directors without first obtaining the consent of shareholders holding in the aggregate not less than nine-tenths of the total voting rights of all the shareholders having the right to vote at any shareholders meeting. We do not make any loans to our directors or executive officers in accordance with the provisions of the Sarbanes-Oxley Act of 2002.



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

As a holding company our ability to pay dividends and meet our other obligations will depend 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 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 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.

On November 30, 2017, the Company implemented its previously-announced dividend policy with the payment of a cash dividend of \$0.10 per Common Share to all holders of record as of October 31, 2017. While the Company desires to maintain its annual dividend policy, the payment of any annual dividend is contingent upon annual results and the factors enumerated above that may restrict the distribution from operating subsidiaries of cash sufficient to fund the payment of a dividend.

### *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 against them in courts of the United States upon judgments predicated upon civil liabilities under the United States federal securities laws. Even if investors are successful in realizing 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, we have been advised by our Bermuda legal counsel, Appleby (Bermuda) Limited, that 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, although Bermuda Courts will enforce foreign judgments for liquidated amounts in civil matters subject to certain conditions and exceptions. 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 were resident within the United States. See "Enforceability of Certain Civil Liabilities" for additional information.

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

### *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 LME for copper for the one month prior to purchase. The price of copper is affected by numerous factors beyond our control, including international 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. 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. Accordingly, significant volatility in

copper prices could have an adverse effect on our operations. No assurance can be given that such volatility will not re-occur.

### *Risks related to our Customer Base and our Geographic Markets*

Our sales of manufactured and distributed 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.

### *Risks relating to Force Majeure Events*

Operations and other business conducted at our plants and other facilities are at risk to acts of god consisting of uncontrollable natural and climatic events (often referred to as force majeure events). Our only material force majeure event was the 2011 flooding at the Siam Pacific Electric Wire and Cable Ltd. (“Siam Pacific”) plant, a subsidiary 100% controlled by Charoong Thai, which occurred during a national flood crisis that affected much of the country. Our insurance coverage in Thailand does not cover damage from flooding or losses due to business interruption, as coverage for business losses due to flooding is generally not available in Thailand or is considered to be prohibitively costly in the limited circumstances where it is available.

### *Risks Relating to North Asia Region.*

#### *Economic Reform Measures in the PRC May 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. When General Secretary Xi Jinping took office in December 2012, the government 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.

### *Recent Macro-economic Concerns*

China has risen to be the world's second largest economy measured by gross domestic product. As the GDP of China has increased significantly its rate of growth has slowed, with the reported GDP growth rate released by the National Bureau of Statistics of China dropping from 7.8% in 2013 to 6.9% in 2017. This development has fueled concern that the current economic downturn in China could become more severe and lead to a possible recession. There is widespread concern about a possible “housing bubble” in China. A downturn in residential construction is one factor that could adversely affect the Company's business in China. A broader recession in China would likely have a more profound adverse impact on our business results in that market.

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

Our wire and cable products manufactured and sold in China and 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 certainly affect the demand for our manufactured products and may affect the Company's results of operations or 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 legislation and regulations have significantly enhanced the protections provided to various forms of foreign investment in China. Foreign investment laws and regulations in China are evolving and the interpretations of many laws, regulations and rules are not always uniform. Accordingly, enforcement of these laws, regulations and rules involves uncertainties, 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.

*Uncertainties Exist with respect to the Enactment Timetable, Interpretation and Implementation of Draft PRC Foreign Investment Law and how it may affect the Company's Corporate Governance*

On January 19, 2015, the PRC Ministry of Commerce published a discussion draft of the proposed PRC Foreign Investment Law ("**Foreign Investment Law**"), aiming to, upon its enactment, replace the trio of existing 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 draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to better align the corporate legal requirements for both foreign and domestic investments. The PRC Ministry of Commerce has finished soliciting comments on this draft; however, uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted and implemented as proposed, may materially affect our relevant corporate governance practices and increase our compliance costs. For instance, the draft Foreign Investment Law imposes periodic information reporting requirements on foreign investors. Aside from an investment implementation report and an investment amendment report that are required for each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to sanctions.

*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 adversely affect our ability to fund and expand our business*

We conduct substantial business operations in China. We may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Loans by APWC or any of our offshore subsidiaries to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. Such loans to any of our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange ("**SAFE**"). The statutory limit for the total amount of foreign debts of a foreign-invested enterprise is the difference between the amount of total investment and the amount of registered capital of such foreign-invested enterprise, both of which are subject to registration with the local counterpart of the State Administration for Industry and Commerce of the PRC ("**SAIC**") and approval of or filing with the local counterpart of the PRC Ministry of Commerce. We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be registered with the local counterpart of SAIC and approved by or filed with the local counterpart of the PRC Ministry of Commerce.

According to the Circular of the State Administration of Foreign Exchange 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 State Administration of Foreign Exchange 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 the 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.

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 circular referred to above, we cannot assure you 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 adversely affect our ability to fund and expand our business.

*Political or Social Instability in the PRC May Adversely Affect the Company's Operations or Financial Condition*

Political or social instability in China could also adversely affect our business operations or financial condition. 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. In addition, as our corporate headquarters are located in Taipei, Taiwan, any escalation in political tensions between the PRC and the government of Taiwan could impact adversely our ability to manage our operations in the PRC efficiently or without third party interference.

*State-owned Enterprises ("SOEs") may have competitive advantages that are difficult 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, such as the subsidiaries and investments maintained by APWC. As a consequence, it can become untenable for private enterprises in competition with certain 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.

*Inflation in the PRC May Adversely Affect the Company's Operations or Financial Condition*

The rapid growth of the PRC economy has historically resulted in high levels of inflation. The PRC government has publicly announced its commitment to control 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 and Lack of Insurance May Adversely Affect the Company's 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, may have an adverse impact on our business.

The insurance industry in China is still at an early stage of development and foreign insurance companies are permitted to operate only in a certain large cities. PRC insurance companies do not offer extensive business insurance products. As a result, we have limited business liability and disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster might result in our incurring substantial costs and the diversion of resources, which could have a material adverse effect on our business and operations.

*PRC Tax Treatments May Affect the Company's Operations or Financial Condition*

Under current tax law in China, foreign-invested enterprises no longer receive more favorable tax treatment than domestic enterprises. China has in place a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and has revoked the prior tax exemptions, reductions and preferential treatments applicable to foreign-invested enterprises. This change will very possibly increase our tax obligations in China and thereby reduce our net income in the North Asia region.

*Dividends Payable by Our PRC Subsidiaries to Their Respective Offshore Investors Should Be 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) ("**PEWS**"), 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 own 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 PEWS under the Circular of the State Administration of Taxation on the Interpretation and Determination of "Beneficial Owners" in the Tax Treaties, promulgated on October 27, 2009 and the Announcement of the State Administration of Taxation on the Determination of "Beneficial Owners" in the Tax Treaties promulgated on June 29, 2012, such dividends would be subject to withholding tax at a rate of 10%. 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 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, among other things, this law requires 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 current 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 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 has been curtailed. Accordingly, if the Company faces future periods of decline in business activity generally or adverse economic periods specific to the Company's business, this law can be expected to exacerbate the adverse effect of the economic environment on the Company's results of operations and financial condition. Additionally, this law has affected labor costs of our customers which could result in a decrease in such customers' production and a corresponding decrease in their purchase of our products.



Under the PRC Social Insurance Law and the Regulation on the Administration of Housing Accumulation Funds, the 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 financial condition and results of operations may be adversely affected.

#### *Risks relating to our Exposure to Foreign Exchange Fluctuations*

Fluctuations in foreign exchange rates influence our results of operations. Our principal operations are located in the three geographic regions that constitute our business segments; namely, the North Asia region, the Thailand region and the Rest of the World (“ROW”) region. A substantial portion of our aggregate revenues is denominated in the following currencies: Baht, Australian dollars, Singapore dollars and Renminbi. Nearly all of the raw materials for these operations are imported and paid for in U.S. dollars and a substantial portion of our future capital expenditures are expected to be in U.S. dollars. We require a significant amount of U.S. dollars for our ongoing equipment upgrade and maintenance programs. Any devaluation of any of the Baht, the Australian dollar, the Singapore dollar and 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, which would have an adverse impact on our operations.

Although our reporting currency is U.S. dollars, the functional currency of our Thailand region, which accounted for 48.56% of our sales in 2017, is the Thai Baht. The functional currencies of our ROW region, which accounted for 27.56% of sales in 2017, are the Australia dollar and the Singapore dollar. The functional currencies for our North Asia operations, which, in total accounted for 23.88% of our sales in 2017, are divided into two groups: for Shandong Pacific Rubber Cable Company, Ltd. (“SPRC”), equity investee with 25% equity owned by APWC, (accounting under equity method), and Shanghai Asia Pacific Electric Co., Ltd. (“Shanghai Yayang”), their functional currency is Renminbi, while for CCH HK and PEWS their functional currency is U.S. dollars. 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.

In addition to our operating revenues being generated in local currencies, a portion of our investment assets are denominated in foreign currencies, including the RMB. 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 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 adversely affected. In addition, the Company’s profit could be adversely impacted if low margin wire and cable manufacturers in China enter into the markets where we operate. With respect to certain of our products, they 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, the U.S. government on April 3rd, 2018, published a list of about 1,300 Chinese exports that could be targeted for tariffs. The U.S. planned to apply the tariffs to good to punish China for its theft of trade secrets, including software, patents and other technology. A tariff would be applied to all the products, according to the US Trade Representative. While the final result is still unknown at this stage, our business in China might be adversely impacted indirectly if the U.S. government decides to take the action and apply a tariff on those products as the action might also adversely impact the business of the Company’s customers in China.



### *Highly Concentrated Markets*

Failure to properly execute customer projects in certain highly concentrated markets may adversely impact our ability to obtain similar contracts from other customers in the market and may result in material financial penalties. In certain 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 may have a material adverse impact on our position in that market as a whole.

### *Risks associated with Required Productivity Increases*

Our business strategy includes a focus on increasing profitability 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 increased profitability or may become less profitable. Moreover, productivity increases are linked to capacity utilization rates. A drop in the utilization rate of our manufacturing capacity would adversely impact productivity.

### *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. While the Company has never experienced a strike or other disruption due to labor disputes, the possibility exists that a labor dispute could lead to a disruption of our operations, hindering our ability to serve our customers, and ultimately having a material adverse impact on the Company's results of operations.

### *Information Systems*

The Company's subsidiaries have their respective information systems to support the operation of each subsidiary. Some of the Company's subsidiaries have implemented a sophisticated system upon which they place great reliance for efficient operations. Most of the business operations, including sales, procurement, production, inventory and accounting, are processed by our internal information systems. Our operating subsidiaries vary in the degree of reliance that they place on their information systems. However, in each of our operating subsidiaries business operations may be adversely affected by the failure or breakdown of the information system, which could be the result of an attack by hackers, computer virus infection, faulty hardware or software corruption. A disruption of the information system can significantly impact the Company's business operations. Among other things, financial data may be corrupted and financial information may not be accurately reported or presented in a timely manner, which might 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.

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 the Company data. If the IT security measures the Company implemented are compromised and fail to protect systems, networks and data, or if an event of force majeure occurs and the Company's disaster recovery plan is 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 may adversely impact the Company's operating and financial results.

### *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, without a properly implemented transition plan, could have an adverse effect on 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.



### *Indebtedness*

As of December 31, 2017, the Company had a total of \$250.9 million in credit available to itself, or one or more of its operating subsidiaries. The available credit is provided by a total of 10 banks in the various regions/territories in which we operate. Out of total available credit, \$144.5 million was unused and available for borrowing. The Company, collectively and on an individual basis, is not highly leveraged and management does not consider it to be likely that the Company will become highly leveraged. The weighted average borrowing rate, for all the outstanding loans combined, was 2.85% for 2017, which runs, at this particular point in time, slightly lower than like-kind borrowing rates that might otherwise be available to us from lenders with which we do not have established relationships, i.e., three month LIBOR (data of March 15, 2018) of 2.18% plus 2.5%.

### *Impairment Charges*

We recognized impairment charges on the property, plant and equipment at Ningbo Pacific Cable Co., Ltd. (“**Ningbo**” or “**NPC**”) and at Siam Fiber Optics in the amounts of \$0.2 million and \$0.001 million for the year of 2017, respectively due to lack of profitability. Should there be changes to the market conditions or in the event we close any of our manufacturing facilities, we may be required to recognize additional impairment charges for our long-lived assets. To the extent the Company must incur impairment charges on our long-lived assets, there may be an adverse effect on our financial condition, including earnings per share and other financial results.

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 and adversely affected.

### *Composite Services Agreement with PEWC*

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 and confers certain preferential benefits on us. The Composite Services Agreement is renewable at our option and is currently in force. Under the Composite Services Agreement, PEWC is one of our suppliers of copper and it also provides research and development services for our products. However, we are unable to predict whether PEWC would, at some future date, 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.

### *Risks Relating to Thailand Region*

A substantial portion of our Thai operations, which accounted for approximately 48.6% of our total net sales in 2017, consists of the manufacture of telecommunications and power cable and sales of those products for use in large-scale telecommunications projects and various construction projects in Thailand. As a result, our future results will depend in part on the political situation in Thailand and the general state of the Thai economy. With the political tension remaining high in Thailand, the continuing political uncertainty and the risk of further social unrest tends to lessen the attractiveness of the local market for foreign investment, and diminishes the focus of the government on infrastructure development, both of which considerations may adversely impact on the volume of business of the Company’s actual and potential customers in the Thai market. In August 2017, the former prime minister was convicted in a major corruption scandal and the military launched another coup and assumed power after the prime minister fled the country. In addition, in 2017 the formal cremation of the long-standing King Bhumibol, who passed away in 2016, took place. The king was seen as a stabilizing influence in Thai politics and it is not clear that his son who succeeded him will exert a similar positive influence. Elections have been postponed on multiple occasions and are scheduled to take place in 2018; however, it is not clear that elections, if held, will stabilize the volatile political situation in Thailand.

The Company's Thai operations remain vulnerable to uncertainties with regard to payment for current sales and the award of future contracts in view of the ongoing political instability in Thailand. Additionally, in recent years 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. Moreover, the Baht remains volatile and subject to significant fluctuations in relation to the U.S. dollar. Such fluctuations in the value of the Baht may negatively impact our performance.

#### *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. A risk of environmental liability could arise 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 in 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 could materially and adversely affect our financial results, cash flows or financial condition.

#### *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. While these technologies do present significant competition in the markets in which we conduct or plan to conduct business, the Company believes that demand for its fixed wire products will remain strong. However, no assurance can be given that the future development and use of such alternative technologies will not adversely affect our 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 the severe weather and climatic events that caused the 2011 floods in Thailand; the outbreak of highly infectious or communicable diseases such as 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 current rising interest rate environment including possible 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. Although we have not experienced any serious harm, except for the flooding situation in Thailand in 2011, in connection with our international operations, we cannot assure you that such problems will not rise in the future.



## Item 4: Information on the Company

### 4.1 History and Development of the Company

#### *General*

Asia Pacific Wire & Cable Corporation Limited was formed on September 19, 1996 as a Bermuda exempted limited liability Company under the Companies Act. The address of the Company's principal place of business is Room B, 7th Floor, No. 132, Sec. 3, Min-Sheng East Road, Taipei, 105, 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 manufactures and distributes its own wire and cable products ("**Manufactured Products**") and also distributes wire and cable products ("**Distributed Products**") manufactured by its principal shareholder, PEWC, and other third party suppliers. The Company also provides project engineering services in the supply, delivery and installation ("**SDI**") of power cables to certain of its customers.

#### *Principal Capital Expenditures*

Total purchases of property, plant and equipment amounted \$7.4 million in 2015, \$5.0 million in 2016 and \$4.9 million in 2017, mostly for newly purchased production machinery and equipment for the CTW group in Thailand.

#### **4.1.1 Certain Recent Developments**

On December 18, 2017, the Company announced its financial results for the first nine months of 2017. The Company conducted its 2017 annual general meeting of shareholders (the "2017 AGM") in Taipei on October 20, 2017, where all matters put to a vote of the shareholders were approved.

On November 30, 2017, APWC paid to its shareholders of record as of October 31, 2017, a cash dividend of \$0.10 per Common Share. This dividend payment was made pursuant to the dividend policy announced by the Company in November 2016, pursuant to which APWC stated its intention, subject to its cash position and then foreseeable future cash requirements so permitting, to pay a cash dividend equal to at least 25% of its prior year 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. It is the intention of the APWC's Board to share the Company's profits with shareholders, while reserving adequate funds for future expansion.

In March 2017, the Company announced the completion of a sale of buildings and land use rights at its Ningbo subsidiary in Ningbo City, China to a local private company for a cash sale price of RMB 60.6 million, or approximately US\$8.8 million. The sale of the Company's land use rights and buildings at Ningbo resulted in a gain of approximately \$4.4 million, which appears in the Company's 2017 financial results. The Company's principal machinery previously utilized at Ningbo has either been sold or been stored in other operating facilities of the Company. The Company concluded that it was unlikely that the operations then being conducted at Ningbo would have contributed positively to its overall results going forward. Consequently, the Company took advantage of an opportunity to dispose of its Ningbo holdings and operations on favorable terms and, as a result, eliminate the likelihood of further losses. The Company is currently considering a number of options for the optimal application of the sale proceeds, which could include expansion of core operations in other markets, capital improvements and debt repayment, among other possibilities. In addition, the Company continues to own the Ningbo subsidiary and its government-granted business license. Therefore, the Company is also examining other possible operations that could be developed taking advantage of the NPC business license.

Also in March 2017, the Company announced that it had identified certain accounting errors in the computation of its accrued liabilities for its North Asia region, which were caused primarily by the application of inaccurate currency exchange rates used to translate income and expenditures as between our functional currency (RMB) and our reporting currency (USD). The Company characterized this reportable event as a material weakness.

With regard to the material weakness identified by the Company in 2015, the Company has strengthened the application of internal controls in accounting for foreign currency denominated transactions. The Company engaged a third-party accounting professional to provide recommendations on its accounting for foreign currency denominated transactions. The Company has taken other remedial measures in its efforts to avoid a recurrence of this material weakness in the future.

In 2017, an action was filed by a debtor seeking to rescind a foreclosure that the Company has undertaken on collateral in Thailand pledged by a delinquent customer of the Company. The Company believes that it has a valid and enforceable first lien on that collateral and that it is more likely than not to prevail against the claimant.

#### **4.1.2 Managing Our Business in Current Market Conditions**

In order to address the continuing market challenges facing our business, the Company has taken and plans to continue to implement a number of measures in order to maintain efficient operations.

Specifically, the Company has continued to focus on increased efforts to collect its receivables on a timely basis. The Company continues to focus on working actively with all of its significant customers to reduce collection times and minimize write-offs. The Company has also managed its inventory levels through planned reductions in raw material purchases while negotiating with suppliers to reduce costs of raw materials and supplies. The Company has focused also on reducing operating costs where practicable. We intend to continue these measures in order to preserve our liquidity and maintain a strong cash position. As of December 31, 2017, the Company had available and unused lines of credits from suppliers, banks and other lenders totaling, in the aggregate, approximately \$144.5 million, an increase of \$4.6 million from that date one year prior. We believe that available and unused amounts of credit are sufficient to support our current working capital needs. The total bank loans and trust receipts outstanding as of December 31, 2017 were \$13 million higher than that as of December 31, 2016. Trust receipts represent debt incurred by the Company for goods then in its possession.

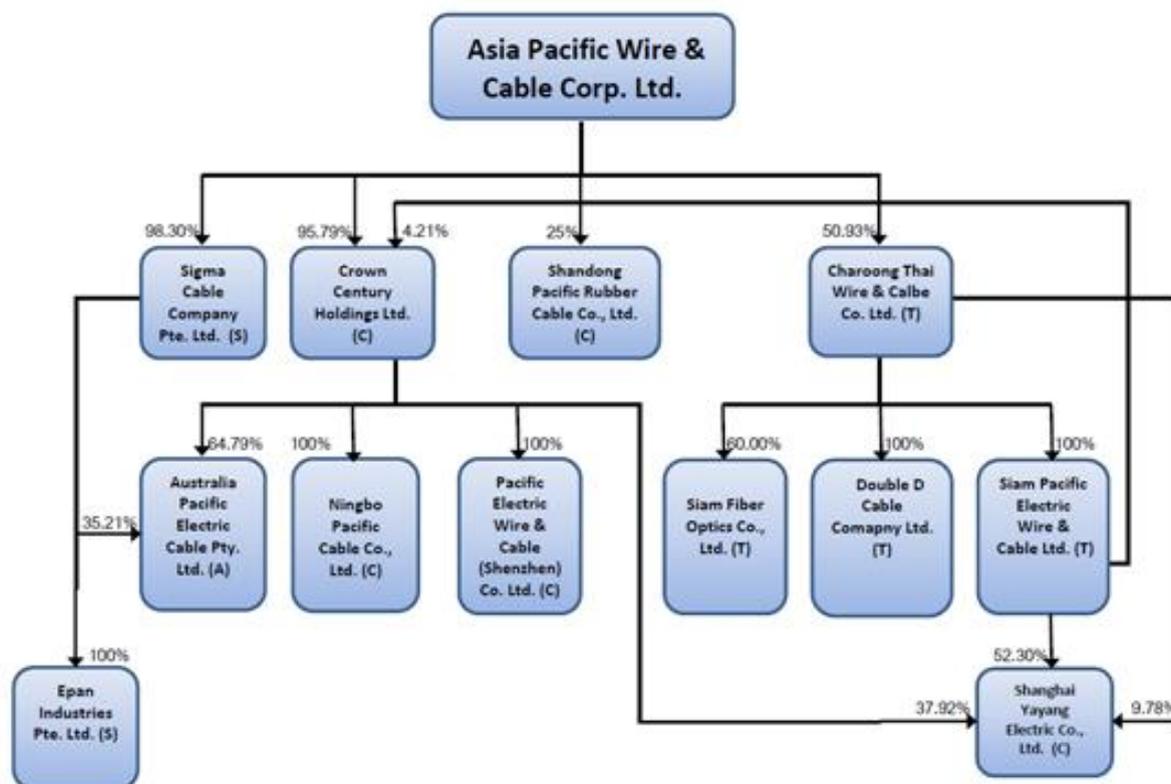
#### **4.1.3 Recent Business Trends**

APWC experienced a 10.6% increase in overall 2017 revenues against 2016 revenues and an increase in gross profit of 25.6% against that of 2016. The Company's operating profit in 2017 was \$16.6 million, a 127.4% increase compared to \$7.3 million in 2016. The increase in the operating profit was primarily due to the increase in higher margin Thailand government projects and the sale of buildings and land use rights of the Company's Ningbo subsidiary. The Company's gross margin yielded earnings per share of \$0.63 in 2017, a 200% increase compared to 2016 earnings per share of \$0.21. In 2015, the Company experienced a loss per share of (\$0.56) in 2015.

### **4.2 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 following chart shows the organizational structure of the Company as of December 31, 2017 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 ("S" for Singapore, "T" for Thailand, "A" for Australia and "C" for China or Hong Kong).



### 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 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 cable and telecommunications cable. 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, 2017, 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 and 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. In May 2013, rather than producing premium products, a new subsidiary – named "DD" was formed by Charoong Thai in order to produce cable products that were just on par with, or exceeded, national standards in an effort to enhance the competitive position of Charoong Thai.

Siam Pacific was established in 1988 as a joint venture between PEWC and Italian-Thai Development Plc ("Ital-Thai"), a third party, which at the time was the largest diversified construction company in Thailand, principally engaging in the design, engineering, construction and project management of large-scale civil engineering and telecommunications projects in Thailand. Capitalizing on PEWC's wire and cable manufacturing expertise and Ital-Thai's significant presence in the local market, Siam Pacific was able to establish its presence in this market and gain knowledge of business opportunities in Thailand. Siam Pacific is now a 100%-owned subsidiary of Charoong Thai and it focuses on the manufacture of telecommunications cable, and enameled wire for the domestic Thailand market.



Based on information published by the Thai Ministry of Commerce on sales by dollar value, the Company believes that Siam Pacific and Charoong Thai are two of the leading telecommunications and power cable and wire manufacturers in Thailand and are two of a very limited number of the government-approved suppliers of telecommunications cables for major public telecommunications projects in Thailand.

#### *North Asia Region*

During 2017, the Company's China (and North Asia) principal operations were conducted through four business entities – Shanghai Yayang, CCH HK, PEWS and SPRC. 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 manufactures enameled wires with a diameter between 0.05mm and 2.5mm for sale and distribution in the eastern part of China, and to local and Taiwanese based end-users. The board consists of six directors, each of whom is either a member of management of Shanghai Yayang who is expatriated from Taiwan or a Thai representative, also expatriated or designated by APWC or PEWC.

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, PEWS. PEWS 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 cable 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 and is considered one of the major cable producers in China.

The Company has disposed of buildings, 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 in other operating facilities of APWC. The Company continues to own the equity of Ningbo and it continues to hold its government-granted business license. The Company is continuing looking for other business opportunity to increase production, efficiency and market share or expand the scope of its manufacturing activities.

#### *Rest of the World ("**ROW**") Region*

The Company's ROW region currently includes its Singapore and Australian operations.

The Company's Singapore operations are principally conducted through its 98.3%-owned subsidiary, Sigma Cable. 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 wire 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 cable to power transmission projects. While the Company currently obtains its supply of medium and high voltage power cable for its SDI operations from PEWC, other suppliers are also available if necessary. The Company anticipates that there will be modest demand for medium and high voltage power cable projects sponsored by the Singapore government in the fairly near future.

Sigma Cable Company (Private) Limited ("**Sigma Cable**"), an indirect, 98.3%-owned subsidiary of the Company in Singapore 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.

### *Australia*

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 major cities of Brisbane, Sydney, Melbourne and Perth.

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

The Company engages in three principal business lines consisting of the manufacture of wire and cable products, the distribution of certain wire and cable products manufactured by PEWC, as well as some third party products, and the provision of project engineering services to certain of its customers. The Company manufactures and sells a wide variety of wire and cable products primarily in four general categories: telecommunications cable, power transmission cable, enameled wire, and electronic wire. 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 wire is used in the manufacturing of components and sub-components of a number of household appliances and various small machinery. The electronic wire products, which include cable harnesses, 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 cable for power transmission projects in Singapore.

#### *Distributed Products*

The Company has a sales and marketing force for the distribution of its Manufactured Products in the markets where it has manufacturing facilities and in certain other Asian markets. In addition, the Company is a distributor of wire and cable products manufactured by PEWC and other third party suppliers. The leading PEWC products sold by the Company are medium and high voltage power cable (with capacities ranging from 3.3 kilovolts to 69 kilovolts), with the vast majority of such sales made in Singapore. The PEWC products sold by the Company do not compete with the Company's Manufactured Products. In addition, from time to time, certain subsidiaries also sell distributed products from other suppliers in Thailand and Australia.

#### *SDI Project Engineering Services*

Based upon the needs of government and the private sector with regard to residential and commercial buildings and infrastructure projects 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 its SDI project engineering capability. The SDI project engineering involves supply, delivery and installation primarily of medium and high voltage cable to power transmission projects in Singapore. Through entering into a contract to supply, deliver and install cable for a power transmission project, the Company delivers medium and high voltage cables and enters into subcontracting agreements with local companies to install the cable as required by the project.

#### **4.2.2 Manufacturing**

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 cable 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 cable for telephone and data transmissions with different capacities and insulations designed for use in various internal and external environments principally as access cable 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 cable 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 wire 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 cable 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 cable and, finally, the shielded cable core is covered by plastic outer sheathing. The Company manufactures telecommunications cable with capacities and sizes ranging from 25 to 3,000 pairs of 0.4 mm-diameter wire to 10 to 600 pairs of 0.9 mm-diameter wire.

### *Power Cable*

The Company produces a range of armored and unarmored low voltage power transmission cable. Low voltage power cable, 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 cable is usually used for public lighting and power transmission running to buildings and installed either above or below ground. Unarmored low voltage cable is mainly used as lighting and power supply cable inside and outside of buildings. The voltage capacity of the Company’s power cables range from 300 volts to one kilovolt.

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

### *Enameled Wire*

The Company also produces several varieties of enameled wire. Enameled wire is copper wire varnished, in an enameling process, by insulating materials. The enameling process makes the wire 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 wire 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 wire and polyester, among others. 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.

### 4.2.3 Raw Materials

Copper is the principal raw material used by the Company for copper-based products. The Company 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 may 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. Copper purchased by the Company in the form of cathodes must be sent to subcontractors to be melted and cast into the copper rods necessary for the manufacturing processes, for a processing fee equal to approximately 3.5% (based on the Company's past experience) of the copper cathode purchase price. 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. Construction of a copper processing facility could also be an additional source of revenues and profit, to the extent that sales are made to unaffiliated parties. However, the Company does not have any present plans to establish or acquire a copper processing facility. Copper rods are drawn into copper wire for the production of telecommunications cable, power cable and enameled wire.

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 agreed to supply to the Company on a priority basis its copper rod requirements at prices at least as favorable as prices charged to other purchasers in the same markets purchasing similar quantities. PEWC continues to be a leading supplier of copper rods to the Company's operations, although the Company has recently diversified its copper purchases from among a number of preferred copper suppliers to try 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 purchases both copper cathodes which are subjected to a 1.0% import tariff, and copper rods which normally are subject to a 5.0% import tariff for its Thailand operations. The key suppliers are PT. Karya Sumiden Indonesia - Indonesia, PEWC-Taiwan, Alpha Industries Sdn Bhd.- Malaysia, Walsin Lihwa Corporation.- Taiwan, Mitsubishi Corporation RtM International Ptd.- Singapore, Glencore International AG.-Switzerland, and Marubeni Corporation-Japan. 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 usually 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 almost two decades of good relationships with many copper suppliers, and currently believes that the copper suppliers will be capable of providing an adequate supply of copper for the Company's requirements. The Company does not anticipate any change in relations with its copper suppliers in the near term.

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 PEWS, 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 never experienced a material supply interruption or difficulty obtaining a sufficient supply of copper rod or cathode.

Other raw materials used by the Company include aluminum used as a conductor in power cable and petroleum-based insulation materials such as PE, PVC and jelly compounds for insulating covers on cables and varnishes on enameled wire; aluminum foils for sheathing of communication cable; and galvanized steel wire for the production of armored wire. The Company has not had 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. The Company would try to maintain its gross margins by increasing the prices of its products.

#### 4.2.4 Quality Control

The Company places a significant emphasis on product quality. The Company has implemented a range of quality control procedures with stringent quality standards 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 the 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 wire and cable 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.

#### 4.2.5 Sales and Marketing

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 wire manufactured by the Company in Thailand is 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.*, Manufactured Products, Distributed Products, and SDI together with their respective percentage share of total sales by reporting segment for such periods.

**For the year ended December 31,**  
(figures in US\$ are in thousands)

	2017		2016		2015	
	\$	%	\$	%	\$	%
Regions:						
North Asia	\$ 101,533	23.88%	\$ 93,931	24.42%	\$ 90,237	23.20%
Thailand	206,485	48.56%	152,935	39.77%	165,354	42.40%
ROW	117,197	27.56%	137,699	35.81%	134,041	34.40%
Total Net Sales	<u>\$ 425,215</u>	<u>100.00%</u>	<u>\$ 384,565</u>	<u>100.00%</u>	<u>\$ 389,632</u>	<u>100.00%</u>

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 frequently must render technical assistance, consulting services and repair and maintenance services to the Company's customers. In order to ensure quality service and maintain sensitivity to market conditions, 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 of its Manufactured Products 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 cable 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 wire and electronic wire in China. The Company's principal China operations are conducted through four business entities. The Company generally sells enameled wire directly to manufacturers of electric motors for use in various consumer appliances.

#### *Thailand*

The Company produces and sells telecommunication cable, enameled wire and power cable 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 many prominent clients working with the government and its contractors for example, True Corporation Plc ("True"), and TT&T ("Triple T"), among others, subcontractors, and distributors for the private sector. Charoong Thai has successfully participated in many major projects, which included, Suwannabhummi International Airport, Government Center, PTT Maptaput, and BRT (Bus Rapid Transit).

#### *ROW*

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

In Singapore alone, sales of Manufactured Products in 2017 accounted for 33% of the total net sales in Singapore; sales of Distributed Products in 2017 accounted for 41%, with the remaining 26% representing SDI project engineering services. SP Power Assets Ltd. has historically been far and away the leading customer for the Company's SDI services. Sales to the customer are under a comprehensive contract, with purchase orders placed from time to time with the Company by SP Power Assets Ltd. or other customers, as the case may be.

#### 4.2.6 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 increasingly compete on the basis of product quality and performance, reliability of supply, customer service and price. To the extent that one or more of the Company's competitors is more successful with respect to the primary competitive factors, the Company's business could be adversely affected.

##### *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 cable, power cable and enameled wire. The Company is one of the five largest producers in the Thai market. These five largest producers are the only producers of telecommunications cable approved by the Thai Industrial Standards Institute and, therefore, the only cable producers whose products may be used in government-commissioned projects. Stringent 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*

The Company believes that Sigma Cable is one of the major suppliers of power cable products in Singapore; however, it experiences significant competition from other local producers. 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 2017 was impacted adversely by increased intense competition from Chinese manufacturers seeking to penetrate 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. Also, Advance Cable, a cable producer with a factory in Victoria, has recently obtained a bigger market share. In addition, a significant portion of the Australian market is serviced by two importers: (i) General Cables Australia, which imports cables from its parent company General Cables, which manufactures cables in New Zealand and (ii) Electra Cables, which imports cables from factories in China. These companies are APEC's principal competitors. APEC however 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 also opened 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. Foreign competition barriers exist with import duties and the more stringent Australian cable specifications standards. Asean (Association of South East Asian Nations) Free Trade Area (AFTA) Agreements are in effect with Singapore and Thailand, among other Asian countries.

##### *China*

PEWS 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. PEWC Hong Kong, one of the subsidiaries of PEWC, is the trading arm of PEWS. It supplies mainly to overseas transformer, motor and coil manufacturers. It faces competition principally from overseas imports and local manufacturers.

Shanghai Yayang is the only major enameled wire producer in Shanghai and it supplies mainly to 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.

#### 4.2.7 Regional Considerations

The principal Asian markets in which we do business have displayed exceptional 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 48.6% of the Company’s net sales in 2017, consists of the manufacture of telecommunications and power cable and sales of those products 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.

##### *Telecommunications*

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 Manufactured Products are affected by the dollar value of contracts awarded by the government for telecommunications and other infrastructure projects.

The Company produces and sells copper core telecommunications cable, enameled copper wire and enameled aluminum wire to the Thai market, and also exports enameled wire to overseas markets. Sales of telecommunications cable, 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 which would be licensed by TOT with regard to particular projects. The Company generally sells enameled wire directly to electrical appliance manufacturers or an OEM (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 would stimulate rapid growth in the demand for electric power, and annual rates of growth in electricity demand would 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 will 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 are concentrated in the Singapore market. In 2017, the Company realized \$21.4 million in revenues from SDI projects, compared to \$13.3 million in 2016 and \$8.8 million in 2015. Revenue in Singapore from Distributed Products in 2017 was \$34.0 million, compared to \$68.6 million in 2016 and \$52.9 million in 2015.

The Singapore government has established targets to increase the resident population from the approximately 5.7 million citizens and permanent residents at the end of 2017 to approximately 6 million by the end of 2020. This planned growth in population is expected to result in an increase in demand for residential property and construction. The Company continues to seek ways to increase its 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.

## **4.3 Organization Structure**

Please refer to Business Overview in section 4.2

## **4.4 Property, Plant 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 PEWS. 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 cable and enameled wire are manufactured at this facility. The production facility constitutes a portion of certain property and assets which are pledged to a financial institution.

Charoong Thai owns a 24.7 acre production facility in Chachoengsao province, near Bangkok, Thailand, where telecommunications cable and power cable are manufactured. The production facility is located on a 57.9 acre site which Charoong Thai also owns. Neither the production facility nor the land is mortgaged.

Sigma Cable produces power cable 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. Neither the production facility nor the land is mortgaged.

Shanghai Yayang operates a factory that produces enameled wires, located in an area of approximately 27,839 square meters of state-owned land in an industrial district in Fengxian, Shanghai. Assets consisting of buildings with a value of approximately \$0.6 million are pledged to Industrial and Commercial Bank of China.

PEWS manufactures enameled wire 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 \$6.9 million bank loan.

All of the Company's facilities in Thailand, Singapore, Australia and China use production processes and equipment of international standard imported from Europe, the United States, Taiwan, and 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 availability of insurance in China is limited, and the Company does not have business liability or disruption insurance for our operations in China. The Company believes that it maintains insurance coverage commensurate with the nature of and risks associated with its business. Siam Pacific has insurance coverage which covers fire and theft, but does not provide coverage for flood damage or business interruption, as in Thailand insurance companies are generally unwilling to issue policies covering flood or business interruption.

#### **4.6 Environmental Matters**

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 compliance with, and in certain circumstances exceed, all applicable environmental laws and regulations. The Company has not been subject to any legal, regulatory or other action alleging violations or breaches of environmental standards. While it is difficult to accurately estimate future environmental compliance costs and potential liabilities, if any, the Company does not currently anticipate any material adverse effect on its consolidated results of operations, financial position or cash flows as a result of compliance with these laws.

#### **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**") presented 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 also involve the need for management 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.

##### **Fair Value Measurement**

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or pay 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 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 best economic interest.

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 at its highest and best use or by selling it to another market participant that would use the asset at 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.

## **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost 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. 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.

## **Financial Instruments**

### **(i) Financial assets**

#### ***Initial recognition and measurement***

Financial assets within the scope of International Accounting Standard 39 Financial Instruments: Recognition and Measurement (“IAS 39”) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, *i.e.*, the date that the Company commits to purchase or sell the asset.

### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as described below:

#### ***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 finance costs (negative net changes in fair value) or finance income (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 items 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 as finance costs in the income statement.

#### ***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 operating 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 from 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 reclassified to the income statement.

## **(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.

### ***Trade Receivables Impairment:***

For a trade receivable, impairment assessment is performed 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 relation to 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. 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.

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.

**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 group 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, including impairment on inventories, 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 income statement.

## Taxes

### *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
- ▶ 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

Local management should consider 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 are presented in the current tax liabilities.

The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense.



**Revenue recognition**

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.

## 5.2 Selected Gross Margin Data

This discussion should be read in conjunction with the information contained in our Consolidated Financial Statements presented 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. For the benefit of our shareholders, included in the summary table below are certain results for product lines within our 3 business segments with regard to net sales, gross profit and gross profit margin for the periods covered. The following table sets forth selected summary data for the periods indicated (dollar (\$) amounts in thousands of US\$).

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	(in thousands except for percentage)		
<b>Net Sales:</b>			
North Asia region	\$ 101,533	\$ 93,931	\$ 90,237
Thailand region	206,485	152,935	165,354
ROW region	117,197	137,699	134,041
Total	<u>\$ 425,215</u>	<u>\$ 384,565</u>	<u>\$ 389,632</u>
<b>Gross profit:</b>			
North Asia region	\$ 7,471	\$ 5,033	\$ 1,888
Thailand region	20,174	13,421	9,488
ROW region	12,043	13,154	12,113
Total gross profit	<u>\$ 39,688</u>	<u>\$ 31,608</u>	<u>\$ 23,489</u>
<b>Gross profit margin:</b>			
North Asia region	7.36%	5.36%	2.09%
Thailand region	9.77%	8.78%	5.74%
ROW region	10.28%	9.55%	9.04%
Total gross profit margin	9.33%	8.22%	6.03%

## 5.3 Operating Results

The Company is 75.4% 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, 2017 Compared with Year Ended December 31, 2016

	<u>For the Year Ended December 31,</u>		<u>Changes in \$</u>	<u>Changes in %</u>
	<u>2017</u>	<u>2016</u>		
	(in thousands)			
<b>Income Statement Data:</b>				
Sales of goods / services	\$ 425,215	384,565	40,650	10.6
Costs of sales	(385,527)	(352,957)	(32,570)	(9.2)
Gross profit	39,688	31,608	8,080	25.6
Other operating income	5,084	5,441	(357)	(6.6)
Selling, general and administrative expenses	(27,248)	(26,325)	(923)	3.5
Other operating expenses	(909)	(3,386)	2,477	73.2
Operating profit	16,615	7,338	9,277	126.4
Finance cost	(1,221)	(1,147)	(74)	(6.5)
Finance income	876	1,045	(169)	(16.2)
Share of loss of associates	(3)	(710)	707	99.6
Impairment of investment in associates	—	(126)	126	(100)
Loss on liquidation of subsidiaries	(261)	—	(261)	100
Exchange gain/(loss)	2,784	(38)	2,822	7,426.3
Other income	214	267	(53)	(19.9)
Other expense	(336)	(94)	(242)	(257.4)
Income from continuing operations before income taxes	18,668	6,535	12,133	185.7
Income taxes expense	(5,140)	(510)	(4,630)	(907.8)
Net income	<u>13,528</u>	<u>6,025</u>	7,503	124.5
Net income attributable to non-controlling interests	4,808	3,172	1,636	51.6
Net income attributable to APWC	8,720	2,853	5,867	205.6

#### *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 2017 and 2016.

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 26.7% from \$4,863 in 2016 to \$6,163 in 2017 (annual average).

Copper prices indicated in this report are quoted from the index published by the LME. The 2017 and 2016 copper prices were as follows:

		2017	2016
Average LME copper price (\$/Ton)	Q1	5,834	4,669
	Q2	5,663	4,730
	Q3	6,347	4,773
	Q4	6,808	5,280
	Year	6,163	4,863

The average copper price in March 2018 on the LME was \$6,796 per metric ton.

#### *Net Sales*

Total sales in the North Asia region increased by \$7.6 million, or 8.1%, from \$93.9 million in 2016 to \$101.5 million in 2017. The increase was attributable primarily to an increase in orders transferred from other wire and cable manufacturers who were forced to close by the Chinese government because of environmental issues.

Revenue from the Thailand region increased by \$53.5 million from \$152.9 million in 2016 to \$206.5 million in 2017, or 35.0%. The increase was primarily because the Company obtained more government projects and the appreciation of the Baht against the US dollar.

Revenue decreased by \$20.5 million, or 14.9%, from \$137.7 million in 2016 to \$117.2 million in 2017 in the ROW region. The revenue increased by 21% in APEC due to an increase in the sales of Distributed Products. However, the revenue of Sigma Cable dropped by 25%, primarily due to more intense competition from the products imported from China.

#### *Gross Profit*

Gross profit for 2017 was \$39.7 million, representing an increase of \$8.1 million, or 25.6%, compared to \$31.6 million in 2016.

The gross profit margin of the North Asia region increased from 5.36% in 2016 to 7.36% in 2017. The Company's main product in this region is enameled wire. The increase was attributable primarily to the appreciation of RMB against USD while the copper price remained stable.

The gross profit margin of the Thailand region was 9.77% in 2017, increased from 8.78% in 2016. The increase was attributable primarily to the increased sales of our products utilized in higher margin Thailand government projects.

The gross profit margin of the ROW region increased from 9.55% in 2016 to 10.28% in 2017. The gross profit margin of the region in 2017 benefited from an increase in sales of Distributed Products by APEC.

#### *Operating Profit*

Other operating income was \$5.1 million in 2017, slightly decreased by \$0.4 million, or (7)%, from \$5.4 million in 2016.

SG&A expenses were \$27.2 million in 2017, representing an increased expense of \$0.9 million, or 3.50%, in this expense category, from \$26.3 million in SG&A expenses in 2016. For the years ended 2017 and 2016, SG&A expenses accounted for 6.4% and 6.8% of the net sales, respectively.

In 2017, we experienced a 70% decrease in other operating expenses, which were \$0.9 million in 2017, compared with other operating expenses of \$3.4 million in 2016. The fluctuation was primarily attributable to the impairment of property, plant, and equipment of Siam Fiber Optics and NPC in 2016.

*Finance Cost*

Our finance cost consists of interest on bank loans and borrowings. Interest cost increased to \$1.2 million in 2017 compared to \$1.1 million in 2016, primarily due to the increase in bank loans and borrowings.

*Finance Income*

The finance income consists of interest earned on bank deposits. Interest income decreased from \$1.0 million in 2016 to \$0.9 million in 2017 by \$0.1 million, or 16.2%.

*Share of Loss of Associates*

The decrease in the share of loss of an associate by \$0.7 million in 2017 compared to that of 2016, was primarily due to the loss that the Company recognized in accordance with its percentage ownership interest in SPRC.

*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, 2017 and 2016 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.

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Foreign currency to US\$1:		
Thai Baht	32.56	35.81
Singapore \$	1.336	1.447
Australian \$	1.280	1.383
Chinese RMB	6.506	6.943

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*

The change was mainly because the Company reversed \$1.9 million of uncertain tax position, in 2016 due to expiration of statute of limitations.

### 5.3.2 Year Ended December 31, 2016 Compared with Year Ended December 31, 2015

	<b>For the Year Ended December 31,</b>		<b>Changes in \$</b>	<b>Changes in %</b>
	<b>2016</b>	<b>2015</b>		
<b>(in thousands)</b>				
<b>Income Statement Data:</b>				
Sales of goods / services	\$ 384,565	\$ 389,632	(5,067)	(1.3)
Costs of sales	(352,957)	(366,143)	13,186	3.6
Gross profit	31,608	23,489	8,119	34.6
Other operating income	5,441	1,140	4,301	377.3
Selling, general & administrative expenses	(26,325)	(27,007)	682	2.5
Other operating expenses	(3,386)	(332)	(3,054)	(919.9)
Operating profit/(loss)	7,338	(2,710)	10,048	370.8
Finance cost	(1,147)	(1,547)	400	25.9
Finance income	1,045	697	348	49.9
Share of loss of associates	(710)	(801)	91	11.4
Impairment of investment in associates	(126)	—	(126)	(100)
Exchange loss	(38)	(4,223)	4,185	99.1
Other income	267	119	148	124.4
Other expense	(94)	(180)	86	47.8
Income/(loss) from continuing operations before income taxes	6,535	(8,645)	15,180	175.6
Income taxes expense	(510)	(466)	(44)	9.4
Net income/(loss)	<u>\$ 6,025</u>	<u>\$ (9,111)</u>	15,136	166.1
Net income/(loss) attributable to non-controlling interests	3,172	(1,417)	4,589	323.9
Net income/(loss) attributable to APWC	2,853	(7,694)	10,547	137.1

#### *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 2016 and 2015.

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 11.6% from \$5,502 in 2015 to \$4,863 in 2016 (annual average).

Copper prices indicated in this report are quoted from the LME index. The 2016 and 2015 copper prices were as follows:

		<u>2016</u>	<u>2015</u>
Average LME copper price (\$/Ton)	Q1	4,669	5,815
	Q2	4,730	6,054
	Q3	4,773	5,251
	Q4	5,280	4,487
	Year	4,863	5,502

The average copper price in March 2017 on the LME was \$5,822 per metric ton.

#### *Net Sales*

Total sales in the North Asia region increased by \$3.7 million, or 4.1%, from \$90.2 million in 2015 to \$93.9 million in 2016. The increase was attributable primarily to an increase in orders transferred from other wire and cable manufacturers who were forced to close by the Chinese government because of environmental issues.

Revenue from the Thailand region decreased by \$12.4 million from \$165.4 million in 2015 to \$152.9 million in 2016, or 7.5%. The decrease was primarily due to the competition and the depreciation of the Baht against the US dollar.

Revenue slightly increased by \$3.7 million, or 2.7%, from \$134.0 million in 2015 to \$137.7 million in 2016 in the ROW region. The revenue increased by 13% in Sigma Cable due to the increase in SDI and Distributed Products. However, the increase in Sigma Cable was offset by the decrease in APEC, where revenue dropped by 23%, due to more intense competition from the products imported from China.

#### *Gross Profit*

Gross profit for 2016 was 31.6 million, representing an increase of 8.1 million, or 34.6%, compared to \$23.5 million in 2015.

The gross profit margin of the North Asia region increased from 2.09% in 2015 to 5.36% in 2016. The Company's main product in this region is enameled wire. The gross margin increased primarily due to the relatively stable copper price in 2016 compared to that of 2015.

The gross profit margin of the Thailand region was 8.78% in 2016, increased from 5.74% in 2015. The increase was attributable to our increased sales of our products utilized in higher margin Thailand government projects.

The gross profit margin of the ROW region slightly increased from 9.04% in 2015 to 9.55% in 2016. The gross profit margin of the region in 2016 remained stable comparing to that of 2015.

#### *Operating Profit*

Other operating income was \$5.4 million in 2016, increased by \$4.3 million, or 377%, from \$1.1 million in 2015, primarily due to the disposal of an investment property in the Thailand region.

SG&A expenses were \$26.3 million in 2016, slightly decreased by \$0.7 million, or 2.5%, from \$27.0 million in 2015. For the years ended 2016 and 2015, SG&A expenses accounted for 6.8% and 6.9% of the net sales, respectively.

Other operating expenses were \$3.4 million in 2016, increased by \$3.1 million, or 919.9%, from \$0.3 million in 2015. The increase was primarily attributable to the impairment of property, plant, and equipment of Siam Fiber Optics and NPC.

*Finance Cost*

The finance cost was interest on bank loans and borrowings. Interest cost decreased from \$1.5 million in 2015 to \$1.1 million in 2016 by \$0.4 million primarily due to the repayment of bank loans and borrowings.

*Finance Income*

The finance income was interest earned from bank deposits. Interest income increased from \$0.7 million in 2015 to \$1.0 million in 2016 by \$0.3 million, or 49.9%, primarily due to the receipt of interest of a delinquent account.

*Share of Loss of Associates*

The decrease in the share of loss of an associate by \$0.1 million in 2016 compared to that of 2015, was primarily due to the loss that the Company recognized in accordance with its percentage ownership interest in SPRC.

*Impairment of investment in an associate*

The Company's investment in SPRC was fully impaired.

*Exchange Gain/(Loss)*

The exchange rates at December 31, 2016 and 2015 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.

	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Foreign currency to US\$1:		
Thai Baht	35.81	36.08
Singapore \$	1.447	1.417
Australian \$	1.383	1.373
Chinese RMB	6.943	6.478

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>.

*Other Income*

Other income increased by \$0.2 million from \$0.1 million in 2015 to \$0.3 million in 2016 primarily due to the net gain from financial instruments recognized in 2016.

**5.4 Liquidity and Capital Resources**

As of December 31, 2017, we had \$46.1 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 primary liquidity needs will continue to focus on the purchase and replacement of property, plant and equipment, future acquisitions and expenditures for ongoing operations.

We have no direct business operations other than our ownership of the capital stock of our subsidiaries and equity investees. Consequently, our subsidiaries have been and will continue to be the primary source of funds generated by operations. Corporate needs are funded primarily through distributions from our subsidiaries. We would rely upon distributions of dividends from our subsidiaries in order to pay dividends if the Board of Directors should at any time determine to declare any dividend. As noted in our Risk Factors, 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. Such restrictions could result from restrictive covenants contained in our loan agreements, restrictions on the conversion of earnings realized in local currencies 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, of which the upper limit is 50%. 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. We are not aware of any other restrictions in other countries in which we do business other than those discussed in the “Risk Factors” section. 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.

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 \$250.9 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, 2017, the unused portion of the credit lines was approximately \$144.5 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, 2017, the Company had obligations in respect of amounts callable under issued, but undrawn, letters of credit totaling \$37.6 million. Liabilities relating to the letters of credit are included in current liabilities. There is no seasonality to the Company’s borrowing.

Net cash used in operating activities in the year ended December 31, 2017 was \$16.9 million, as compared to \$9.0 million of net cash provided by operating activities in the year ended December 31, 2016. The increase in cash used in operations was primarily due to increase in inventory and A/R, which was related to the increase revenue in late 2017. Most of the accounts receivable were collected and inventory subsequently sold within the first quarter of 2018.

In 2016, net cash provided by operations was \$9.0 million compared to \$8.8 million in 2015. The increase was primarily the result of an increase in interest received in 2016.

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 2017 was 82 days, as compared to 71 days for 2016. We have in place rigorous policies across the Company that emphasize the importance of continuous focus on collection efforts.

In 2017, cash provided by investing activities was \$3.1 million compared to \$0.2 million used in investing activities in 2016. The increase in net cash provided by investing activities was primarily attributable to the proceeds from disposal of equipment of NPC.

In 2016, cash used in investing activities was \$0.2 million compared to \$7.3 million in 2015. The decrease in net cash used in investing activities was primarily attributable to the proceeds from disposal of an investment property in the Thailand region.

Net cash provided by financing activities was \$7.0 million in 2017. In 2017, net cash provided by financing activities reflected primarily the repayment of borrowings.

Net cash used in financing activities was \$10.4 million in 2016. In 2016, 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 continue to 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 further enhance our liquidity in the future, as needs arise, by establishing additional lines of credit, with the support of one or more of our principal shareholders if necessary and available.

## 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 2017, the copper price went up from \$4,863 (yearly average for 2016) per metric ton to \$6,163 per metric ton (yearly average for 2017). 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 Risk.”

## 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 our obligations and commitments to make future payments under contracts and other commitments as of December 31, 2017:

Contractual obligations (In thousands of US\$)	Payments due by period				
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Bank loans and overdrafts	\$ 41,151	41,151	—	—	—
Finance lease obligations (principal amount only)	78	36	40	2	—
Finance charges on finance lease obligations	5	3	1	1	—
Operating lease obligations	3,640	1,174	442	417	1,607
Capital commitment relating to installation of equipment and acquisition of machinery	786	786	—	—	—
Capital commitment relating to repair and maintenance consulting service	76	76	—	—	—
Purchase obligations for copper cathodes	277,245	277,245	—	—	—
	<u>\$ 322,981</u>	<u>320,471</u>	<u>483</u>	<u>420</u>	<u>1,607</u>

The contractual obligation for the purchase of copper cathodes disclosed in the table above was the minimum purchase commitment. For more details on financial commitments and contingencies, please refer to our audited consolidated financial statements and the notes thereto in Item 18: “Financial 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 possesses 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, 2017, 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 “2017 AGM”) held on October 20, 2017, the shareholders determined that the minimum number of directors shall be fixed at two (2), the maximum number of directors be fixed at ten (10) and that one (1) vacancy shall exist on the Board of Directors, which shall be deemed to be a casual vacancy, which may be filled from time to time by the Board of Directors in accordance with the provisions of the Bye-Laws. 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 2017 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>Estera Services (Bermuda) Ltd.</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>
<i>Yuan Chun Tang</i>	<i>November 26, 1960</i>	<i>Director, Chief Executive Officer</i>
<i>William Gong Wei</i>	<i>October 31, 1961</i>	<i>Chief Operating Officer</i>
<i>Ivan Hsia</i>	<i>August 14, 1973</i>	<i>Chief Financial Officer</i>

Certain officers and directors of the Company are or were also officers and 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. 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.

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 was appointed as Chief Marketing Officer effective July 1, 2015. 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 are traded 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 2017 was approximately \$2.4 million. As of March 31, 2018, our directors and executive officers beneficially owned approximately 103,000 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 2017, the fee payable to each independent director was \$30,000 per year and the fee payable to each director who is a director or an executive officer of the Company or PEWC or any of their respective affiliates was \$20,000 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.

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 1,353 employees as of December 31, 2017, of which about 14.4% were administrative and management personnel. Approximately 60.1% of employees were located in the Thailand region, 24.5 % in the North Asia region and 15.4% 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. Contributions to the plans are made on an annual basis and totaled \$1.3 million in 2017. Additionally, the Company has several defined benefit plans in accordance with Thailand labor law. In its Thai subsidiaries, the Company must pay a retiring employee from one to twenty-nine times such employee's salary rate during his or her final month, depending on the length of service. During 2017, the Company's total expenses under this labor law were \$0.6 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 \$8.3 million as at December 31, 2017.

Approximately 22% 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 99% 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 17% 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

Pursuant to a 2012 Share Buy-back Plan, the Company re-purchased 9,300 Common Shares, which continue to be held by the Company and booked as treasury shares. In a subsequent private transaction in June 2013, the Company repurchased a further 1,800 Common Shares, such that 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 continue to be publicly traded in the U.S. and are 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, 2018 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	102,954	0.744%

- (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 are registered securities, of which 3,388,900 Common Shares are publicly-traded on the NASDAQ Global Markets tier, which represents approximately 24.6% of the issued and outstanding Common Shares. With regard to the remaining 2,777,254 registered securities, 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 Securities Act. Other than (i) the approximately 103,000 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; however, 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, 2017 the Company, including its subsidiaries, had a net principal balance outstanding of \$4.4 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 \$143 thousand as of December 31, 2017.

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, 2017 and related party transactions, including copper purchases from PEWC, are disclosed in our audited consolidated financial statements in Item 18: Financial Statements.

## Item 8: Financial Information

### 8.1 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.

## 8.2 Dividend Policy

In November 2016, the Company announced that its Board of Directors approved the initiation 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, if and when available for distribution. In accordance with its dividend policy, on November 30, 2017, the Company paid a cash dividend to shareholders of record as of October 31, 2017 in the amount of \$0.10 per Common Share.

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.

## 8.3 Significant Changes

There have been no material or significant changes in the Company's affairs since the end of the fiscal year ended December 31, 2017 that have not been described herein. See Section 3.3 Risk Factors.

**Item 9: The Offer and Listing****9.1 Historical Trading Information**

The high and low market prices for Common Shares on the NASDAQ since January 1, 2013, for each period specified are as follows:

	Price per Share (\$)	
	High	Low
<b>Five most recent full financial years:</b>		
2013	4.34	3.00
2014	3.38	2.27
2015	2.60	1.27
2016	2.85	1.20
2017	3.10	2.40
<b>Two most recent full financial years:</b>		
<b>2016</b>		
First quarter	1.85	1.20
Second quarter	2.62	1.75
Third quarter	2.77	2.15
Fourth quarter	2.85	2.15
<b>2017</b>		
First quarter	3.10	2.40
Second quarter	3.10	2.55
Third quarter	3.10	2.80
Fourth quarter	3.05	2.65
<b>2018</b>		
First quarter	2.93	2.35
<b>Most recent six months:</b>		
October 2017	3.05	2.80
November 2017	3.00	2.65
December 2017	2.95	2.67
January 2018	2.85	2.55
February 2018	2.85	2.35
March 2018	2.93	2.50

**9.2 Markets**

The Company's Common Shares have traded on NASDAQ since April 2011 under the symbol "APWC". On February 15, 2013, the Company's Common Shares were elevated to NASDAQ Global Markets tier. See Section 3.3.4: Risk Factor: "Potential Illiquidity of Common Shares." 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, 2017 and as of the date of the filing of this Annual Report, the Company has an authorized share capital of 50,000,000 Common Shares, par value \$0.01 per share. During 2013, the Company repurchased 7,400 Common Shares, for a total of 9,300 Common Shares that were repurchased under the Company's then active Share Buy-back Plan, until the Company suspended the Share Buy-back Plan effective as of April 25, 2013. Subsequently in 2013, in a private transaction, the Company purchased a further 1,800 Common Shares that were also booked as treasury shares and are classified as issued but not outstanding. No Common Shares have been purchased by or on behalf of the Company under the share buy-back program that was announced by the Company in 2014, but not implemented. As of December 31, 2017, and as of the date of the filing of this Annual Report, there were and there are 13,830,769 Common Shares issued and 13,819,669 Common Shares issued and outstanding. 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. The Company's Bye-Laws were amended on October 7, 2011 to allow the Company to purchase its own shares for cancellation or acquire them to be held as treasury shares.

In 2012, the Company commenced a Share Buy-back Plan, pursuant to which the Company repurchased, in the aggregate, 9,300 issued and outstanding Common Shares, with the most recent purchase under the Share Buy-back Plan having been made on January 10, 2013. Subsequently in 2013, in a private transaction, the Company purchased a further 1,800 Common Shares that were also booked a treasury shares and are classified as issued but not outstanding. Those repurchased Common Shares are booked as treasury shares and may be re-sold to third parties by the Company in the future. In April 2013, the Company announced the suspension of the Share Buy-back Plan.

In August 2014, the Company announced that the Board of Directors had authorized a further share buy-back plan of up to \$1 million in Common Shares. The Company has not implemented that further buy-back plan. The Company may determine to implement a share buy-back plan in the future. Any determination to do so would depend upon a number of factors including the trading price of the Common Shares, the Company's liquidity, the possible alternative uses of available cash and general market conditions.

**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.

The following discussion of our Common Shares and the laws governing the rights of our shareholders is based upon the advice of Appleby (Bermuda) Limited, our Bermuda counsel.

Our authorized share capital as of December 31, 2017 was \$500,000 consisting of 50,000,000 Common Shares, par value \$0.01 per share, of which, as of December 31, 2017, 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 and our issued share capital and share premium accounts.

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 persons present in person or by proxy holding shares of the relevant class. 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.

### **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 us;
- is accompanied by the relevant share certificate and such other evidence of the transferor's right to make the transfer as the Board of Directors shall reasonably require;
- is in respect of one class of shares; and
- has obtained, where applicable, permission of the Bermuda Monetary Authority.

Our Common Shares are traded on the NASDAQ Stock Market, Inc. which qualifies as an "appointed stock exchange" for purposes of the Companies Act and the Bermuda Exchange Control Act and regulations made thereunder, in particular a notice to the public dated June 1, 2005. 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.

### **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 stock, 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 October 20, 2017, 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 October 20, 2017, the shareholders approved the reservation of one directorship as a casual vacancy.

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 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.

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 of the shareholders, the Supreme Court of Bermuda, upon petition, may make such order as it sees fit, including an order 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 2017 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 notify the other party prior to entering into 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 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.
- 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, 2017, the Company paid a cash dividend of \$0.10 per Common Share to holders of record as of October 30, 2017, 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 the 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**

In the opinion of Appleby (Bermuda) Limited, our Bermuda counsel, 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 inspected and copied (at prescribed rates) at the public reference facilities maintained by the SEC at Judiciary Plaza, 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information. In addition, the SEC maintains a web site that contains information filed electronically with the SEC, which can be accessed over the Internet at <http://www.sec.gov>. We have filed all our reports electronically since November 4, 2002. Such reports can be accessed over the Internet 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, nearly all of the costs associated with the purchase of the Company's raw materials, including copper, and its capital expenditures, including ongoing equipment upgrade and maintenance programs, 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, 2017 and 2016, the other comprehensive income in the total equity section of the consolidated balance sheets included currency translation adjustments of \$10.6 million and \$(1.1) 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 2017. 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 (the “**Exchange Act**”). Based upon that evaluation, our management concluded that our disclosure controls and procedures were effective as of December 31, 2017.

*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, 2017 (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*

The Company has strengthened the application of internal controls in accounting for foreign currency denominated transactions in 2017. Except to the extent aforementioned, 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 2015, 2016 and 2017, 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 2017 and 2016 for professional services rendered by the principal independent accountant for the audit of the Company's annual financial statements totaled \$0.8 million and \$0.8 million, respectively.

#### *Tax Fees*

The aggregate fees for fiscal years 2017 and 2016 for professional services rendered by the principal independent accountant for tax compliance, tax advice and tax planning totaled approximately \$60 thousand and \$79 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**

The Company dismissed Ernst & Young as our independent registered public accounting firm on September 29, 2017. Thereafter, our independent audit committee approved the appointment of PricewaterhouseCoopers Taiwan ("PwC Taiwan") as our independent registered public accounting firm, which approval was ratified by our shareholders at our 2017 annual general meeting of shareholders. The change was not made due to any disagreements with Ernst & Young.

The audit reports of Ernst & Young on our consolidated financial statements for the fiscal years ended December 31, 2016 and 2015 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles; however, certain accounting errors, that did not involve any disagreement, did occur which led to the Company undertaking a restatement as explained below.

The Company filed an amended annual report on Form 20-F/A (Amendment No. 1) on April 28, 2017 for the fiscal year ended December 31, 2015 to restate previously issued annual financial statements for accounting errors related to accrued liabilities attributable to the application of inaccurate currency exchange rates used to translate such liabilities.

During the fiscal years ended December 31, 2016 and 2015 and through September 29, 2017, there were no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Ernst & Young, would have caused them to make reference thereto in its reports on the financial statements for such fiscal years then ended, nor have there been any reportable events requiring disclosure pursuant to Item 16F(a)(1)(v) of Form 20-F, except that the Company concluded the accounting errors were considered a material weakness and a reportable event under certain SEC comments to Item 304(a)(1)(v)(A) of Regulation S-K.

We provided a copy of this disclosure to Ernst & Young and requested that Ernst & Young furnish a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. A copy of the letter from Ernst & Young addressed to the SEC, dated April 27, 2018, is filed as Exhibit 16 to this Form 20-F.

During the fiscal years ended December 31, 2016 and 2015 and up to October 20, 2017, neither we nor any person on our behalf consulted with PwC Taiwan regarding either (i) the applications of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on our financial statements and no written or oral advice was provide to us that PwC Taiwan concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue, or (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of Form 20-F and the related instructions to Item 16F with PwC Taiwan or a reportable event pursuant to Item 16F (a)(1)(v) of Form 20-F.

**Item 16G: Corporate Governance**

The Common Shares of the Company are traded on the NASDAQ Global Markets tier. However, as the Company has a more than fifty percent (50%) shareholder, the Company is entitled to rely 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 board of directors of the Company is affiliated with PEWC. The Company also relies on the 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-91.

**Item 19: Exhibits****19.1 Index to Audited Financial Statements**

Reports of independent registered public accounting firms

Consolidated income statements for the years ended December 31, 2017, 2016 and 2015

Consolidated statements of comprehensive income for the years ended December 31, 2017, 2016 and 2015

Consolidated balance sheets as of December 31, 2017 and 2016

Consolidated statements of changes in equity for the years ended December 31, 2017, 2016 and 2015

Consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015

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 \(incorporated by reference to Exhibit 3.2 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 30, 2012\).](#)
- 4.1 Composite Services Agreement (incorporated by reference to Exhibit 10.1 of the Company's Form F-1 filed 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 \(incorporated by reference to Exhibit 10.8 of the Company's Post-Effective Amendment No. 8 to Form F-1 on Form F-3 filed with the Securities and Exchange Commission on August 31, 2011\).](#)
- 4.4 [Rule 10b5-1 Issuer Purchase Plan \(incorporated by reference to the Company's report on Form 6-K filed with the Securities and Exchange Commission on April 25, 2013\).](#)
- 8 [List of significant subsidiaries \(see Note 2.2 to the consolidated financial statements\).](#)
- 11 [Code of Ethics \(incorporated by reference to Exhibit 11 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on November 9, 2007\).](#)
- 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(a) [Amended and Restated Audit Committee Charter \(incorporated by reference to Exhibit 16.G of the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 13, 2011\).](#)
- 15.1 [Consent of Ernst & Young, Taiwan \(incorporated by reference to Exhibit 16 filed herewith\).](#)
- 16 [Letter of Ernst & Young, Taiwan to the Commission pursuant to Item 16F \(filed herewith\).](#)

(P) – Paper filings

**SIGNATURE**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ASIA PACIFIC WIRE & CABLE  
CORPORATION LIMITED**

April 27, 2018

/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, 2017 and 2016  
Years ended December 31, 2017, 2016 and 2015

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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 as of December 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, 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, 2017, and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

***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 audit. 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 audit 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 audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers, Taiwan  
Taipei, Taiwan  
Republic of China  
April 27, 2018

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

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of Asia Pacific Wire & Cable Corporation Limited (the "Company") as of December 31, 2016, and the related consolidated income statements, statements of comprehensive income, changes in equity, and cash flows for each of the two years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial positions of Asia Pacific Wire & Cable Corporation Limited at December 31, 2016, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young  
Taipei, Taiwan

April 30, 2017

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## CONSOLIDATED INCOME STATEMENTS

For the years ended December 31, 2017, 2016 and 2015

		<u>2017</u>	<u>2016</u>	<u>2015</u>
	Note	US\$'000	US\$'000	US\$'000
<b>Sales of goods / services</b>	3.14	425,215	384,565	389,632
<b>Cost of sales</b>	7,13	<u>(385,527)</u>	<u>(352,957)</u>	<u>(366,143)</u>
<b>Gross profit</b>		39,688	31,608	23,489
Other operating income	7	5,084	5,441	1,140
Selling, general and administrative expenses	7	(27,248)	(26,325)	(27,007)
Other operating expenses	7	<u>(909)</u>	<u>(3,386)</u>	<u>(332)</u>
<b>Operating profit/(loss)</b>		16,615	7,338	(2,710)
Finance costs	7	(1,221)	(1,147)	(1,547)
Finance income	7	876	1,045	697
Share of loss of associates	19	(3)	(710)	(801)
Impairment of investment in associates	19	—	(126)	—
Loss on liquidation of subsidiary		(261)	—	—
Exchange gain / (loss)		2,784	(38)	(4,223)
Other income	7	214	267	119
Other expense	7	<u>(336)</u>	<u>(94)</u>	<u>(180)</u>
<b>Profit/(loss) before tax</b>		18,668	6,535	(8,645)
Income tax expense	8	<u>(5,140)</u>	<u>(510)</u>	<u>(466)</u>
<b>Profit/(loss) for the year</b>		<u>13,528</u>	<u>6,025</u>	<u>(9,111)</u>
Attributable to:				
Equity holders of the parent		8,720	2,853	(7,694)
Non-controlling interests		<u>4,808</u>	<u>3,172</u>	<u>(1,417)</u>
		<u>13,528</u>	<u>6,025</u>	<u>(9,111)</u>
<b>Earnings/(loss) per share</b>				
„Basic and diluted profit/(loss) for the year attributable to equity holders of the parent	9	\$ 0.63	\$ 0.21	\$ (0.56)

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

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017, 2016 and 2015

	Note	2017 US\$'000	2016 US\$'000	2015 US\$'000
<b>Profit/(loss) for the year</b>		<b>13,528</b>	<b>6,025</b>	<b>(9,111)</b>
<b>Other comprehensive income/(loss)</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations, net of tax of \$0	22	15,882	(886)	(15,847)
Cumulative translation differences reclassified to profit or loss on liquidation of a subsidiary	22	248	—	—
		16,130	(886)	(15,847)
Net gain/(loss) on available-for-sale financial assets		(80)	(102)	444
Income tax effect	8	16	20	99
	22	(64)	(82)	543
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measuring gain/(loss) on defined benefit plans	21	(772)	2	(154)
Income tax effect	8	154	—	(52)
Defined benefit pension plan, net of tax	22	(618)	2	(206)
<b>Other comprehensive income/( loss) for the year, net of tax</b>		<b>15,448</b>	<b>(966)</b>	<b>(15,510)</b>
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<b>28,976</b>	<b>5,059</b>	<b>(24,621)</b>
Attributable to:				
Equity holders of the parent		18,992	1,641	(17,238)
Non-controlling interests		9,984	3,418	(7,383)
		<b>28,976</b>	<b>5,059</b>	<b>(24,621)</b>

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

ASIA PACIFIC WIRE & CABLE CORPORATION LIMITED  
CONSOLIDATED BALANCE SHEETS

	Note	As of December 31,	
		2017	2016
		US\$'000	US\$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	46,093	48,231
Other current financial assets – at fair value through profit or loss	11	—	187
Trade receivables	12	112,403	79,472
Other receivables	12	9,509	16,918
Due from related parties	23	13,354	12,573
Inventories	13	97,205	77,407
Gross amounts due from customers for contract work-in-progress	14	162	2,045
Prepayments		1,244	1,189
Assets classified as held for sale	15,16	—	3,368
Other current assets		3,057	3,238
		<u>283,027</u>	<u>244,628</u>
<b>Non-current assets</b>			
Other non-current financial assets – available for sale	11,25	2,747	2,765
Other non-current financial assets – held to maturity	11	—	309
Property, plant and equipment	15	42,326	39,637
Prepaid land lease payments	16	1,067	1,070
Investment properties	7,17,25	763	653
Intangible assets	18	138	173
Investments in associates	19	861	786
Other non-current assets		892	461
Deferred tax assets	8	3,022	3,114
		<u>51,816</u>	<u>48,968</u>
<b>Total assets</b>		<b><u>334,843</u></b>	<b><u>293,596</u></b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	11	41,151	28,225
Trade and other payables	20	28,850	30,023
Due to related parties	23	5,805	3,096
Due to immediate holding company	23	1,537	1,537
Other current financial liabilities - at fair value through profit or loss	11	139	—
Accruals		15,246	13,651
Current tax liabilities	8	4,536	3,473
Employee benefit liability	21	877	594
Financial lease liabilities	24	36	29
Provisions for employee benefit	21	456	422
Onerous contracts provisions	3.14	555	250
Dividend payable		524	440
Other current liabilities	3.14	1,563	5,876
		<u>101,275</u>	<u>87,616</u>
<b>Non-current liabilities</b>			
Employee benefit liability	21	7,416	6,058
Financial lease liabilities	24	42	54
Provisions for employee benefit	21	130	105
Deferred tax liabilities	8	3,154	2,588
		<u>10,742</u>	<u>8,805</u>
<b>Total liabilities</b>		<b><u>112,017</u></b>	<b><u>96,421</u></b>
<b>Equity</b>			
Issued capital	22	138	138
Additional paid-in capital		110,376	110,608

Treasury shares		(38)	(38)
Retained earnings		53,350	46,012
Other components of equity		(10,498)	(20,770)
<b>Equity attributable to equity holders of the parent</b>		<b>153,328</b>	<b>135,950</b>
Non-controlling interests	6	69,498	61,225
<b>Total equity</b>		<b>222,826</b>	<b>197,175</b>
<b>Total liabilities and equity</b>		<b>334,843</b>	<b>293,596</b>

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

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017, 2016 and 2015

## 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	Foreign currency translation reserve	Total	cc i t
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
<b>Balance at January 1, 2015</b>	<b>138</b>	<b>110,608</b>	<b>(38)</b>	<b>50,853</b>	<b>(327)</b>	<b>672</b>	<b>(10,359)</b>	<b>151,547</b>	
Net loss	—	—	—	(7,694)	—	—	—	(7,694)	
Other comprehensive gain / (loss)	—	—	—	—	(109)	277	(9,712)	(9,544)	
<b>Total comprehensive income/(loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(7,694)</b>	<b>(109)</b>	<b>277</b>	<b>(9,712)</b>	<b>(17,238)</b>	
Dividend paid	—	—	—	—	—	—	—	—	
<b>Balance at December 31, 2015</b>	<b>138</b>	<b>110,608</b>	<b>(38)</b>	<b>43,159</b>	<b>(436)</b>	<b>949</b>	<b>(20,071)</b>	<b>134,309</b>	
Net income	—	—	—	2,853	—	—	—	2,853	
Other comprehensive gain / (loss)	—	—	—	—	1	(42)	(1,171)	(1,212)	
<b>Total comprehensive income/(loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,853</b>	<b>1</b>	<b>(42)</b>	<b>(1,171)</b>	<b>1,641</b>	
Dividend paid	—	—	—	—	—	—	—	—	
<b>Balance at December 31, 2016</b>	<b>138</b>	<b>110,608</b>	<b>(38)</b>	<b>46,012</b>	<b>(435)</b>	<b>907</b>	<b>(21,242)</b>	<b>135,950</b>	
Net income	—	—	—	8,720	—	—	—	8,720	
Other comprehensive gain / (loss)	—	—	—	—	(315)	(33)	10,620	10,272	
<b>Total comprehensive income/(loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8,720</b>	<b>(315)</b>	<b>(33)</b>	<b>10,620</b>	<b>18,992</b>	
Dividends paid	—	—	—	(1,382)	—	—	—	(1,382)	
Effect from the changes in shareholding percentage in subsidiary	—	(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>(10,622)</b>	<b>153,328</b>	

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

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>			
Profit/(loss) before tax	18,668	6,535	(8,645)
Adjustments to reconcile profit/(loss) before tax to net cash provided by operating activities:			
Depreciation	4,972	5,451	5,598
Impairment of property, plant and equipment	223	2,524	—
Reversal of impairment loss of investment properties	—	—	(12)
Amortization of prepaid land lease payments	35	57	59
Gain on disposal of investment property	—	(4,466)	(32)
Amortization of intangible assets	49	46	36
Gain on disposal of property, plant and equipment	(99)	(100)	(41)
(Gain) loss on disposal of assets classified as held for sale	(4,525)	11	—
Adjustment for loss (gain) on fair value of derivatives	332	(171)	(20)
Dividend income	(100)	(96)	(99)
Finance income	(876)	(1,045)	(697)
Finance costs	1,221	1,147	1,547
Share of loss of associates	3	710	801
Impairment of investment in associates	—	126	—
Impairment for trade receivables	302	279	332
Impairment (reversal of impairment) for trade receivables for related parties	27	(1)	(16)
Impairment of other receivable	—	191	—
Impairment (write-back of impairment) of inventories	532	(3,306)	1,481
Unrealized foreign exchange difference, net	(1,771)	1,244	1,013
Loss on liquidation of subsidiary	261	—	—
Changes in operating assets and liabilities			
Trade and other receivable, net	(17,438)	(9,949)	15,660
Inventories	(11,523)	7,713	16,042
Prepayment and other current assets	123	1,704	(2,357)
Amounts due to/from related parties	2,733	(7)	(7,611)
Other non-current assets	(398)	(261)	(84)
Trade and other payables, accruals, other current liabilities and other non-current liabilities	(6,778)	2,334	(10,837)
<b>Net cash flows (used in) provided by operating activities</b>	<b>(14,027)</b>	<b>10,670</b>	<b>12,118</b>
Dividend received	100	96	99
Interest received	858	869	688
Interest paid	(1,043)	(941)	(1,371)
Income tax paid	(2,787)	(1,680)	(2,747)
<b>Net cash (used in) provided by operating activities</b>	<b>(16,899)</b>	<b>9,014</b>	<b>8,787</b>
<b>Investing activities:</b>			
Purchases of property, plant and equipment	(4,903)	(5,044)	(7,417)
Purchases of intangible assets	(10)	(126)	(27)
Purchases of investment properties	(84)	—	—
Proceeds from disposal of held for sale assets	8,011	210	—
Proceeds from disposal of property, plant and equipment	510	113	70
Proceeds from disposal of other financial assets-held to maturity	340	—	—
Proceeds from disposal of investment property	—	4,695	53
<b>Net cash provided by (used in) investing activities</b>	<b>3,864</b>	<b>(152)</b>	<b>(7,321)</b>
<b>Financing activities:</b>			
Dividend paid to non-controlling shareholders of subsidiaries	(1,943)	(1,159)	(2,035)
Dividend paid to company's shareholders	(1,382)	—	—
Repayments of borrowings	(17,306)	(35,346)	(41,553)

Proceeds from borrowings	27,714	26,120	28,986
Change in financial lease liabilities	(41)	(28)	(31)
<b>Net cash provided by (used in) financing activities</b>	<b>7,042</b>	<b>(10,413)</b>	<b>(14,633)</b>
Effect of exchange rate	3,855	(1,521)	(4,393)
Net decrease in cash and cash equivalents	(2,138)	(3,072)	(17,560)
Cash and cash equivalents at beginning of year	48,231	51,303	68,863
<b>Cash and cash equivalents at end of year</b>	<b>46,093</b>	<b>48,231</b>	<b>51,303</b>

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

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE 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 Canon’s Court, 22 Victoria Street, Hamilton HM EX, 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.

In 2007, a U.S. private equity firm (the “PE Investor”) acquired, indirectly through a special purpose investment vehicle, 20% of the issued and outstanding common shares from a foreign private equity firm. In 2009, the PE Investor caused a sale of a portion of its indirect ownership interest in the Company such that the PE Investor then held indirectly, on a post-sale basis, 9.8% of the issued and outstanding common shares of the Company.

On August 17, 2015, the PE Investor caused its special investment vehicle to sell its remaining 9.8% of the issued and outstanding shares of the Company to PEWC. PEWC is currently holding 75.4% of the equity of the Company and is the Company’s ultimate parent company.

*Share Capital*

On September 8, 2008, the Company’s shareholders approved an increase to the authorized share capital from 20,000,000 common shares, par value \$0.01 per share, to 50,000,000 common shares, par value \$0.01 per share.

*Share Capital Repurchase Program*

The Company’s Board of Directors authorized a share capital repurchase program for its common shares on August 28, 2012, up to \$2 million worth of its common shares over the next twelve months. 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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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, 2017 and 2016, and the results of operations of the Company and all subsidiaries for the years ended December 31, 2017, 2016 and 2015.

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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2.2 Basis of consolidation (continued)**

The subsidiaries of the Company are set out below:

Place of incorporation and operations	Percentage of equity interest	
	2017	2016
<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%
Sigma-Epan International Pte Ltd. (“Sigma-Epan”) (Liquidated)	0%	100%
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”)	100%	100%
Shanghai Yayang Electric Co., Ltd. (“SYE”) (iii)	68.75%	66.35%
Pacific Electric Wire & Cable (Shenzhen) Co., Ltd. (“PEWS”) (iv)	97.93%	100%
<b><u>Hong Kong</u></b>		
Crown Century Holdings Limited (“CCH (HK)”) (iv)	97.93%	100%
<b><u>Australia</u></b>		
Australia Pacific Electric Cable Pty Limited (“APEC”) (iv)	98.06%	99.40%

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**2.2 Basis of consolidation (continued)**

Place of incorporation and operations	Percentage of equity interest	
	2017	2016
<b>Thailand</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)	30.56%	30.56%

- (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 holds a 60% equity interest of SFO.
- (iii) In June 2017, SYE increased its paid-in capital by US\$1 million by converting the loan from CCH(HK). The interest of CCH(HK) in SYE increased from 31.42% to 37.92%, as a result, the Company’s interest in SYE increased by 2.4% to 68.75%.
- (iv) In September 2013, CCH(HK) increased its paid-up share capital by US\$2 million through the issuance of 7.8 million mandatory converting preference shares to Siam Pacific. The preference share was not entitled to voting right.

In December 2017, the preference share of 7.8 million shares held by Siam Pacific was converted into 7.8 million ordinary shares. As a result of the preference share conversion, the interest of the Company in CCH (HK) and PEWS decreased by 2.07% to 97.93% and in APEC decreased by 1.34% to 98.06%.

The Company recorded the effect of change in shareholding of the subsidiaries, amounting to \$232 thousands; under the caption of “Additional paid-in capital” in consolidated statement of change in equity.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****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 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 11.4.

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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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, 2017 and 2016.

**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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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	5-20 years
▶ Machinery and equipment	5-15 years
▶ Motor vehicles	3-10 years
▶ Office equipment	3-10 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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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**

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.

Borrowing costs include:



## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8 Borrowing Costs (continued)**

- ▶ 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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.10 Financial Instruments****(i) Financial assets*****Initial recognition and measurement***

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as described below:

***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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.10 Financial Instruments (continued)***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.

*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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.10 Financial Instruments (continued)*****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.

**(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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.10 Financial Instruments (continued)*****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.

***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

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.10 Financial Instruments (continued)**

- ▶ 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.

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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.10 Financial Instruments (continued)****(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.

**(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

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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, including impairment on inventories, 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 income statement.

**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 their estimated useful lives, 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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.13 Taxes (continued)**

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.

**3.14 Revenue recognition**

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.

***Sale 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.

***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 cable laid with respect to the estimated total length of cable 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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 3.14 Revenue recognition (continued)

*Revenue by significant category*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000	US\$'000
Manufactured Products	361,853	296,075	318,672
Distributed Products	41,985	75,200	62,128
SDI	21,377	13,290	8,832
<b>Total Revenue</b>	<b><u>425,215</u></b>	<b><u>384,565</u></b>	<b><u>389,632</u></b>

*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 cost more to produce than originally determined in the contracts due to a rise in raw material costs. The Company established the unavoidable costs of meeting the obligations under the contract as a liability for the contractual responsibilities. The liability has been 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 originally contract, which it then recognizes in financial statements as an other operating expense and accrued liability.

Movement of provision for onerous operating contracts during the financial year is set out below:

	<u>2017</u>
	US\$'000
Beginning of financial year	250
Recognized	522
Reversed	(246)
Exchange differences	29
End of financial year	<b><u>555</u></b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.14 Revenue recognition (continued)*****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.

***Interest income***

For all financial assets measured at amortized cost, interest income is recorded using EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.14 Revenue recognition (continued)*****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 other operating income due to its operating nature.

***Dividends***

Dividend revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

**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).

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.15 Foreign currencies (continued)***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 (ie 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.

**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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 2017 and 2016 were immaterial.

**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 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:

*Bill and hold transaction*

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.22 Significant accounting judgements, estimates and assumptions (continued)****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.

*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 disclosure of investment properties*

The Company carries its investment properties at cost, and discloses the fair value of the investment properties in footnotes. The valuation has been made on the assumption to sell the property interests on 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 method of valuation used to determine the fair value of the investment properties is provided in Note 17.

*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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.22 Significant accounting judgements, estimates and assumptions (continued)***Impairment of trade receivables*

The Company maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Company makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, historical write-off experience and recovery of collateral. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Company would be required to revise the basis of making the allowance and its future result would be affected.

Refer to Note 12 and Note 26 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.

*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, 2017, the Company has \$13,756 (2016: \$18,225) 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 \$197 (2016: \$619) 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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.22 Significant accounting judgements, estimates and assumptions (continued)**

If the Company was able to recognize all unrecognized deferred tax assets, profit and equity would have increased by \$3,947 (2016: \$4,846; 2015: \$3,473). 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 10 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 29 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 limited corporate bond in Thailand, taken into account the yields on Thai Government Bonds and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

*Post-employment benefits under defined benefit plans (continued)*

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 and together with historical experience of Charoong Thai.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 21.

*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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4. STANDARDS ISSUED BUT NOT YET 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.

***IFRS 15 Revenue from contracts with customers***

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, this is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. IFRS 15 supersedes IAS 11, *Construction Contracts* and IAS 18, *Revenue* as well as related interpretations. On September 11, 2015, the IASB issued an amendment formalizing the deferral of the effective date by one year to January 1, 2018. Earlier application is permitted. Furthermore, on April 12, 2016, the IASB issued the document "Clarifications to IFRS 15 Revenue from Contracts with Customers", which provides clarifications in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance. The clarifications to IFRS 15 shall be applied for annual periods beginning on or after January 1, 2018.

The revenue standard permits entities to apply the standard retrospectively using any combination of several optional practical expedients. Alternatively, an entity is permitted to recognize the cumulative effect of initially applying the standard as an opening balance sheet adjustment to equity in the period of initial application. This approach must be supplemented by additional disclosures.

***IFRS 9 Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. This final version includes requirements on: (1) classification and measurement of financial assets and liabilities; (2) impairment; and (3) hedge accounting. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristic and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

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	Effect of	As of	Remarks
	December 31, 2017	adoption of new standards	January 1, 2018	
	US\$'000	US\$'000	US\$'000	
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
Other non-current 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>	<b>118,334</b>	<b>20</b>	<b>118,354</b>	
Contract liabilities - current	—	113	113	E
<b>Total affected liabilities</b>	<b>—</b>	<b>113</b>	<b>113</b>	
Retained earnings	53,350	(93)	53,257	C, D, E
<b>Total affected equity</b>	<b>53,350</b>	<b>(93)</b>	<b>53,257</b>	
<b>Total affected liabilities and equity</b>	<b>53,350</b>	<b>20</b>	<b>53,370</b>	

- A.** In accordance with IFRS 15, the Company expects to reclassify gross amounts due from customers for contract work-in-progress in the amount of \$162 to contract assets as of January 1, 2018.
- B.** The Company applies new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets in the amount of \$2,747 to financial assets at fair value through other comprehensive income (FVOCI) as of January 1, 2018.
- C.** In line with the regulations of IFRS 9 on provision for impairment, trade receivables will be increased by \$16, and retained earnings will be increased by \$16.
- D.** When initially adopting IFRS 9 and IFRS 15, the Company will recognize deferred income tax assets for the temporary differences resulted from the adjustments. Accordingly, deferred income tax assets will be increased by \$4 and retained earnings will be increased by \$4 on January 1, 2018.
- 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 will gradually recognize its custodial revenue over time and transportation revenue upon delivery. As of January 1, 2018, the balance of contract liabilities will be increased by \$113, and retained earnings will be decreased by \$113.



## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)*****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.

***IFRS 16 Leases***

In January 2016, IASB issued IFRS 16, *Leases* which will replace IAS 17, *Leases*. The new standard specifies how to recognize, measure, present and disclose leases. The standard 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 used the dual classification approach to classify each lease as an operating lease or a finance lease. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 has also been applied. The Company is currently assessing the impact of the standard on its consolidated financial statements.

***IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration***

In December 2016, the IASB issued the IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, which sets out that the exchange rate to use on initial recognition of an asset, expense or income related to an advance consideration, previously paid or received in a foreign currency, is the rate used at the date of initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of that advance consideration. The IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The Company does not expect material impact on its financial statements.

***Transfer of investment property – Amendment to IAS 40***

The amendments to IAS 40, *Investment Property* clarify the requirements on transfers to, or from, investment property and are effective for annual periods beginning on or after January 1, 2018. The Company does not expect the amendment to have impact on its consolidated financial statements.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)*****IFRIC Interpretation 23 Uncertainty over Income Tax Treatments***

The IFRIC clarifies how the recognition and measurement requirements of IAS 12, *Income taxes*, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37, *Provisions, contingent liabilities and contingent assets*, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The IFRIC 23 is effective from annual periods beginning on or after 1 January 2019. The Company is currently assessing the impact of the standard on its consolidated financial statements.

***Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28***

The amendments to IAS 28, *Long-term Interests in Associates and Joint Ventures* clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted. The Company does not expect the amendments to have impact on its consolidated financial statements.

***Plan Amendment, Curtailment or Settlement — Amendments to IAS 19***

When a net defined benefit liability or asset is remeasured as a result of a defined benefit plan being amended, curtailed or settled during a period, the amendments to IAS 19 require using the assumptions employed for the remeasurement to determine current service cost and net interest for the period after the remeasurement. The amendment also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments are effective for annual period beginning on or after January 1, 2019. Early application is permitted but must be disclosed. The Company is currently assessing the impact of the standard on its consolidated financial statements.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**5. SEGMENT INFORMATION**

For management purposes, the Company organizes its business segments along regional 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.

Each segment engages in business activities generating revenues and incurring expenses. Each segment generates a management report which contains its own financial information and submits to the Company’s chief operating decision maker (“CODM”) for review on a monthly basis. The Company’s Chief Executive Officer (“CEO”) and Chief Operating Officer (“COO”) are the ones who review all the management reports provided by each segment, makes the decisions on how the resources are to be allocated and assesses the operating performances based on the reports. Each reporting segment has a segment manager who is in charge of the business operations in such region and regularly contacts the Company’s CEO and COO to discuss operational-related matters.

As the three operating segments exceed the quantitative thresholds, they are also reportable segments.

Segment’s profit or loss is measured consistently with profit or loss in the consolidated financial statements. 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.

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.

Year ended December 31, 2017	North	Thailand	ROW	Total	Corporate	Consolidated
	Asia			segments	expense	
	US\$'000	US\$'000	US\$'000	US\$'000	adjustments	US\$'000
					and	
					eliminations	
					US\$'000	US\$'000
<b>Sales of goods / services</b>						
External customers	101,533	206,485	117,197	425,215	—	425,215
Gross profit	7,471	20,174	12,043	39,688	—	39,688
Inter-segment	890	1,044	—	1,934	(1,934)	—
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

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. SEGMENT INFORMATION (continued)

Year ended December 31, 2016	North	Thailand	ROW	Total	Corporate	Consolidated
	Asia			segments	expense	
	US\$'000	US\$'000	US\$'000	US\$'000	adjustments	US\$'000
					and	
					eliminations	
					US\$'000	US\$'000
<b>Sales of goods / services</b>						
External customers	93,931	152,935	137,699	384,565	—	384,565
Gross profit	5,033	13,421	13,154	31,608	—	31,608
Inter-segment	2,522	(41)	—	2,481	(2,481)	—
Depreciation and amortization	(1,423)	(2,689)	(1,439)	(5,551)	(3)	(5,554)
Impairment of property, plant and equipment	(1,132)	(1,392)	—	(2,524)	—	(2,524)
Interest income	34	1,022	97	1,153	(108)	1,045
Interest expense	(692)	(282)	(86)	(1,060)	98	(962)
Income tax (expense)/benefit	2,844	(2,059)	(538)	247	(757)	(510)

**Other disclosures**

Capital expenditure	697	4,198	275	5,170	—	5,170
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Year ended December 31, 2015	North	Thailand	ROW	Total	Corporate	Consolidated
	Asia			segments	expense	
	US\$'000	US\$'000	US\$'000	US\$'000	adjustments	US\$'000
					and	
					eliminations	
					US\$'000	US\$'000
<b>Sales of goods / services</b>						
External customers	90,237	165,354	134,041	389,632	—	389,632
Gross profit	1,888	9,488	12,113	23,489	—	23,489
Inter-segment	2,381	1,502	—	3,883	(3,883)	—
Depreciation and amortization	(1,511)	(2,699)	(1,480)	(5,690)	(3)	(5,693)
Interest income	15	621	77	713	(16)	697
Interest expense	(804)	(467)	(40)	(1,311)	7	(1,304)
Income tax (expense)/benefit	614	(655)	(223)	(264)	(202)	(466)

**Other disclosures**

Capital expenditure	594	6,409	427	7,430	14	7,444
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**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.

Capital expenditure consists of additions of property, plant and equipment, and intangible assets.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. SEGMENT INFORMATION (continued)

## Reconciliation of segment gross profit

	For the year ended December 31,		
	2017	2016	2015
	US\$'000	US\$'000	US\$'000
<b>Gross profit</b>	39,688	31,608	23,489
Other operating income	5,084	5,441	1,140
Selling, general and administrative expenses	(27,248)	(26,325)	(27,007)
Other operating expenses	(909)	(3,386)	(332)
<b>Operating profit/(loss)</b>	16,615	7,338	(2,710)
Finance costs	(1,221)	(1,147)	(1,547)
Finance income	876	1,045	697
Share of loss of associates	(3)	(710)	(801)
Impairment of investment in associates	—	(126)	—
Loss on liquidation of subsidiary	(261)	—	—
Exchange gain / (loss)	2,784	(38)	(4,223)
Other income	214	267	119
Other expense	(336)	(94)	(180)
<b>Profit/(loss) before tax</b>	18,668	6,535	(8,645)

					Corporate	Consolidated
	North	Thailand	ROW	Total	adjustments	
	Asia	Thailand	ROW	segments	and	
	US\$'000	US\$'000	US\$'000	US\$'000	eliminations	US\$'000
<b>As of December 31, 2017</b>						
Total assets	63,853	181,232	85,838	330,923	3,920	334,843
Total liabilities	28,928	55,877	21,647	106,452	5,565	112,017
<b>As of December 31, 2016</b>						
Total assets	59,120	145,549	86,325	290,994	2,602	293,596
Total liabilities	31,406	36,929	24,435	92,770	3,651	96,421

## Reconciliation of assets:

	As of December 31,	
	2017	2016
	US\$'000	US\$'000
<b>Segment operating assets</b>	330,923	290,994
Corporate and other assets	2,916	2,928
Investment in associates	861	786
Deferred tax assets	3,022	3,114
Inter-segment elimination	(2,879)	(4,226)
<b>Total assets</b>	334,843	293,596



## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**5. SEGMENT INFORMATION (continued)****Reconciliation of liabilities:**

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
<b>Segment operating liabilities</b>	106,452	92,770
Corporate liabilities	5,287	5,257
Deferred tax liabilities	3,154	2,588
Inter-segment elimination	(2,876)	(4,194)
<b>Total liabilities</b>	<b>112,017</b>	<b>96,421</b>

Revenue from external customers is attributed to individual countries based on the customer's country of domicile and is summarized as follows:

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
<b>Revenues from external customers</b>			
Thailand	158,565	110,569	128,213
Singapore	76,453	105,431	90,960
Australia	34,901	27,918	36,731
PRC	108,561	96,956	93,718
Southeast Asia	46,685	43,677	40,001
Northeast Asia	50	14	9
	<b>425,215</b>	<b>384,565</b>	<b>389,632</b>

Countries in the Southeast Asia region include Cambodia, Vietnam, Indonesia, India, Laos, Malaysia and Myanmar.

Countries in the Northeast Asia region include Japan and South Korea.

**Major customer information**

Revenue from one customer amounted to \$36,518 (2016: \$53,465; 2015: \$42,279) represent 8.59% (2016: 13.9%; 2015: 10.9%), arising from sales in the ROW segment.

**Long-lived assets by the country of domicile are summarized as follow:**

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
<b>Long-lived assets by area:</b>		
Thailand	28,140	25,011
Singapore	6,831	6,821
China	6,333	6,757
Australia	2,984	2,935
Corporate	6	9
<b>Total long-lived assets</b>	<b>44,294</b>	<b>41,533</b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**6. MATERIAL PARTLY-OWNED SUBSIDIARIES**

The Company has a subsidiary with material non-controlling interests (“NCI”). Information regarding the subsidiary is as follows:

Proportion of equity interest held by NCI:

Name	Country of incorporation and operation	As of December 31,	
		2017	2016
Charoong Thai and its subsidiaries (“CTW Consolidated”)	Thailand	49.07%	49.07%
SYE	China	31.25%	33.65%

From APWC group perspective, SYE is considered an entity with material non-controlling interests and should be separated from Charoong Thai group.

	As of December 31,	
	2017	2016
	US\$'000	US\$'000
<b>Accumulated balances of material NCI:</b>		
CTW Consolidated	64,995	56,380
SYE	1,758	1,450

	For the year ended December 31,		
	2017	2016	2015
	US\$'000	US\$'000	US\$'000
<b>Profit / (loss) of material NCI:</b>			
CTW Consolidated	4,896	3,812	(789)
SYE	(15)	(181)	(364)

The summarized financial information of the subsidiaries is provided below. This information is based on amounts before inter-company eliminations:

Summarized income statements for 2017:

	CTW consolidated	SYE
	US\$'000	US\$'000
Revenues	207,529	33,533
Cost of sales	(187,342)	(31,937)
Administrative expenses	(7,817)	(1,559)
Finance costs	(711)	(346)
Exchange gain/(loss)	1,335	282
Others	(9)	—
<b>Profit/(loss) before tax</b>	<b>12,985</b>	<b>(27)</b>
Income tax expense	(2,727)	—
<b>Profit/(loss) for the year</b>	<b>10,258</b>	<b>(27)</b>
<b>Total comprehensive income/(loss)</b>	<b>20,440</b>	<b>318</b>
Profit/(loss) attributable to non-controlling interests	4,896	(15)
Dividends paid to non-controlling interests	1,943	—



## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**6. MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)**

Summarized income statements for 2016:

	<u>CTW consolidated</u>	<u>SYE</u>
	US\$'000	US\$'000
Revenues	152,988	30,056
Cost of sales	(139,575)	(28,247)
Administrative expenses	(7,264)	(1,748)
Finance costs	(401)	(377)
Gain on disposal of investment property	4,466	—
Exchange gain/(loss)	618	(221)
Others	(55)	—
<b>Profit/(loss) before tax</b>	<b>10,777</b>	<b>(537)</b>
Income tax expense	(3,009)	—
<b>Profit/(loss) for the year</b>	<b>7,768</b>	<b>(537)</b>
<b>Total comprehensive income/(loss)</b>	<b>8,450</b>	<b>(814)</b>
Profit/(loss) attributable to non-controlling interests	3,812	(181)
Dividends paid to non-controlling interests	1,142	—

Summarized income statements for 2015:

	<u>CTW consolidated</u>	<u>SYE</u>
	US\$'000	US\$'000
Revenues	167,462	30,120
Cost of sales	(158,037)	(29,171)
Administrative expenses	(6,776)	(1,422)
Finance costs	(653)	(555)
Gain on disposal of investment property	32	—
Exchange loss	(3,027)	(54)
Others	46	—
<b>Loss before tax</b>	<b>(953)</b>	<b>(1,082)</b>
Income tax expense	(655)	—
<b>Loss for the year</b>	<b>(1,608)</b>	<b>(1,082)</b>
<b>Total comprehensive loss</b>	<b>(11,461)</b>	<b>(1,392)</b>
Loss attributable to non-controlling interests	(789)	(364)
Dividends paid to non-controlling interests	2,035	—

Summarized balance sheets as of December 31, 2017:

	<u>CTW consolidated</u>	<u>SYE</u>
	US\$'000	US\$'000
Cash, inventory and other current assets	149,875	15,063
Property, plant and equipment and other non-current assets	41,983	1,920
Trade and other payable (current)	(47,451)	(11,356)
Other non-current liabilities	(7,536)	—
<b>Total equity</b>	<b>136,871</b>	<b>5,627</b>
Equity attributable to equity holders of the parent	71,876	3,869
Non-controlling interests	64,995	1,758

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**6. MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)**

Summarized balance sheets as of December 31, 2016:

	<u>CTW consolidated</u>	<u>SYE</u>
	US\$'000	US\$'000
Cash, inventory and other current assets	117,401	11,767
Property, plant and equipment and other non-current assets	38,926	1,774
Trade and other payable (current)	(30,871)	(9,232)
Other non-current liabilities	(6,096)	—
<b>Total equity</b>	<b>119,360</b>	<b>4,309</b>
Equity attributable to equity holders of the parent	62,980	2,859
Non-controlling interests	56,380	1,450

Summarized cash flow information for the year ended December 31, 2017:

	<u>CTW consolidated</u>	<u>SYE</u>
	US\$'000	US\$'000
Operating	(24,018)	833
Investing	6,589	(252)
Financing	12,836	(563)
Effect of changes in exchange rate on cash	1,678	65
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,915)</b>	<b>83</b>

Summarized cash flow information for the year ended December 31, 2016:

	<u>CTW consolidated</u>	<u>SYE</u>
	US\$'000	US\$'000
Operating	7,319	(716)
Investing	443	(341)
Financing	(10,586)	1,470
Effect of changes in exchange rate on cash	(404)	(44)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,228)</b>	<b>369</b>

Summarized cash flow information for the year ended December 31, 2015:

	<u>CTW consolidated</u>	<u>SYE</u>
	US\$'000	US\$'000
Operating	907	2,046
Investing	585	(68)
Financing	(19,043)	(2,619)
Effect of changes in exchange rate on cash	(3,384)	(64)
<b>Net decrease in cash and cash equivalents</b>	<b>(20,935)</b>	<b>(705)</b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. OTHER INCOME/EXPENSES AND ADJUSTMENTS

## 7.1 Other operating income

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
Gain on disposal of property, plant, and equipment	99	100	41
Gain on disposal of investment property	—	4,466	32
Reversal of allowance for related parties	—	1	16
Gain on disposal of assets classified as held for sale	4,525	—	—
Reversal of allowance for investment properties	—	—	12
Gain on sales of scrap copper	—	569	607
Other operating income – others	460	305	432
<b>Total other operating income</b>	<b>5,084</b>	<b>5,441</b>	<b>1,140</b>

## 7.2 Other operating expenses

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
Allowance for trade receivables for related parties	27	—	—
Allowance for trade receivables	302	279	332
Allowance for other receivable	—	191	—
Allowance for foreseeable loss	276	236	—
Impairment of property, plant, and equipment	223	2,524	—
Loss on disposal of assets classified as held for sale	—	11	—
Other operating expenses – others	81	145	—
<b>Total other operating expenses</b>	<b>909</b>	<b>3,386</b>	<b>332</b>

## 7.3 Finance costs

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
Interest on debts and borrowings	962	958	1,300
Finance charges payable under finance leases and hire purchase contracts	4	4	4
<b>Total interest expenses</b>	<b>966</b>	<b>962</b>	<b>1,304</b>
Banking charges	255	185	243
<b>Total finance costs</b>	<b>1,221</b>	<b>1,147</b>	<b>1,547</b>

## 7.4 Finance income

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
Interest income	876	1,045	697
<b>Total finance income</b>	<b>876</b>	<b>1,045</b>	<b>697</b>



## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

## 7.5 Other income

	For the year ended December 31,		
	2017	2016	2015
	US\$'000	US\$'000	US\$'000
Other income	114	—	—
Dividend income	100	96	99
Net gain on financial instruments	—	171	20
<b>Total other income</b>	<b>214</b>	<b>267</b>	<b>119</b>

## 7.6 Other expenses

	For the year ended December 31,		
	2017	2016	2015
	US\$'000	US\$'000	US\$'000
Others	4	94	180
Net loss on financial instruments	332	—	—
<b>Total other expenses</b>	<b>336</b>	<b>94</b>	<b>180</b>

## 7.7 Depreciation, amortization and lease expense included in the consolidated income statements

	For the year ended December 31,		
	2017	2016	2015
	US\$'000	US\$'000	US\$'000
Included in cost of sales:			
Depreciation – tangible assets	4,148	4,633	4,720
Amortization – intangible assets	9	7	5
Included in selling expenses:			
Depreciation – tangible assets	132	178	167
Included in general and administrative expenses:			
Depreciation – tangible assets	657	616	695
Amortization – intangible assets	40	39	31
Amortization – prepaid land lease payment	35	57	59
Depreciation – investment property	35	24	16
Minimum lease payments recognised as an operating lease expense	1,174	823	876
	<b>6,230</b>	<b>6,377</b>	<b>6,569</b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. OTHER INCOME/EXPENSES AND ADJUSTMENTS (continued)

## 7.8 Employee benefits expenses

	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
<b>Included in cost of sales:</b>			
Wages and salaries	13,474	13,047	12,575
Labor and health insurance costs	168	146	151
Pension costs	869	854	854
Other employment benefits	817	623	691
<b>Included in selling expenses:</b>			
Wages and salaries	3,641	3,604	3,381
Labor and health insurance costs	14	13	14
Pension costs	325	327	291
Other employment benefits	64	52	37
<b>Included in general and administrative expenses:</b>			
Wages and salaries	8,364	7,696	8,140
Labor and health insurance costs	219	215	247
Pension costs	656	646	578
Director fees	342	937	745
Other employment benefits	1,119	414	257
<b>Total employee benefits expenses</b>	<b><u>30,072</u></b>	<b><u>28,574</u></b>	<b><u>27,961</u></b>

The accrued compensation and retirement benefits for expatriates were included in employee benefits expenses and in accruals.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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, 2017, 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, 2017 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 2014/2015, 2015/2016 and 2016/2017 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, 2017.

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%.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**8. INCOME TAX (continued)**

The major components of income tax expenses for the years ended December 31, 2017, 2016 and 2015 are:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000	US\$'000
<b>Consolidated income statements</b>			
<b>Current income tax:</b>			
Current income tax charge	4,785	(681)	607
Previously unrecognized tax loss used to reduce current income tax	(1,066)	(21)	—
Adjustments for current income tax of prior years	348	77	(6)
Total current income tax	<u>4,067</u>	<u>(625)</u>	<u>601</u>
<b>Deferred tax expenses/(benefits):</b>			
Relating to origination and reversal of temporary differences	1,210	1,135	(631)
Relating to change in tax rate	—	—	496
Previously unrecognized tax loss used to reduce deferred tax expenses	(137)	—	—
Total deferred tax expenses/(benefits)	<u>1,073</u>	<u>1,135</u>	<u>(135)</u>
<b>Income tax expense reported in the income statement</b>	<b><u>5,140</u></b>	<b><u>510</u></b>	<b><u>466</u></b>
<b>Consolidated statements of comprehensive income</b>			
Deferred tax related to items recognized in other comprehensive income during the year:			
Unrealized gain/(loss) on available-for-sale financial assets			
Recognized during the year	(16)	(20)	72
Effect of change in tax rate	—	—	(171)
Net loss on actuarial gains and losses			
Recognized during the year	(154)	—	(31)
Effect of change in tax rate	—	—	83
<b>Income tax benefits charged to other comprehensive (loss) income</b>	<b><u>(170)</u></b>	<b><u>(20)</u></b>	<b><u>(47)</u></b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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>2017</u>	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000	US\$'000
Profit before tax	18,668	6,535	(8,645)
Tax at statutory rate of 20% (2016: 20%; 2015: 20%)	3,734	1,307	(1,730)
Foreign income taxed at different rate	1,151	599	632
Expenses not deductible for tax purpose	600	225	393
Utilization of previously unrecognized tax losses	(1,066)	(21)	—
Tax benefit arising from previously unrecognized tax losses	(137)	—	—
Net deferred tax asset not recognized	78	1,305	1,152
Written-off deferred tax	10	(678)	—
Tax exempt on income	(245)	(21)	(45)
Uncertain tax position	(270)	(3,010)	(528)
Return to provision adjustment	348	77	(83)
Deferred tax liability arising from undistributed earnings	602	681	(72)
Effect of changes in temporary differences to be realized in different periods with different enacted tax rates	—	—	496
Withholding tax on dividends	349	118	206
Others	(14)	(72)	45
<b>Income tax expense reported in income statement</b>	<b><u>5,140</u></b>	<b><u>510</u></b>	<b><u>466</u></b>

**At the effective income tax rate of 27.53% (2016: 7.8 %; 2015: -5.39 %)**

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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,		
	2017	2016	2017	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Outside basis differences	(3,036)	(2,434)	602	(269)	(72)
Revaluations of available-for-sale investment to fair value	(429)	(445)	—	—	—
Accrued interest income	(141)	(118)	11	39	2
Unutilized building allowance (net)	(235)	(207)	11	119	151
Unused tax losses	197	619	455	133	(710)
Allowance for doubtful accounts	200	159	(25)	(36)	(29)
Inventory impairment	422	235	(161)	714	(249)
Allowance for impairment in investments	—	—	0	382	—
Rebates and other accrued liabilities	427	390	(6)	171	60
Unpaid retirement benefits	1,291	1,117	(62)	(47)	485
Deferred revenue and cost of sales	2	374	393	(62)	70
Actuarial loss	368	213	—	—	—
Unabsorbed depreciation	699	625	(45)	34	140
Others	103	(2)	(100)	(43)	17
<b>Deferred tax expenses / (benefits)</b>			<b>1,073</b>	<b>1,135</b>	<b>(135)</b>
<b>Net deferred tax assets</b>	<b>(132)</b>	<b>526</b>			

Reflected in the balance sheet as follows:

Deferred tax assets	3,022	3,114
Deferred tax liabilities	(3,154)	(2,588)
<b>Deferred tax assets, net</b>	<b>(132)</b>	<b>526</b>

**Reconciliation of deferred tax assets, net**

	2017	2016	2015
	US\$'000	US\$'000	US\$'000
<b>Opening balance as of January 1</b>	<b>526</b>	<b>1,601</b>	<b>1,831</b>
Tax benefit/(expenses) during the period recognized in profit or loss	(1,073)	(1,135)	135
Tax benefit/(expenses) during the period recognized in other comprehensive income	170	20	47
Exchange difference on translation foreign operations	245	40	(412)
<b>Closing balance as of December 31</b>	<b>(132)</b>	<b>526</b>	<b>1,601</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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**8. INCOME TAX (continued)**

The Company has available unused net operating losses which arose in Thailand and China as of December 31, 2017, and arose in Thailand, Australia and China as of December 31, 2016, that may be applied against future taxable income and that expire as follows respectively:

Year of expiration	As of December 31,	
	2017	2016
	US\$'000	US\$'000
2017	—	1,411
2018	891	2,444
2019	802	1,866
2020	4,601	7,555
2021	5,220	4,805
2022	1,399	—
No expiration	843	144
	<b>13,756</b>	<b>18,225</b>

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 \$2,803 (2016: \$3,525; 2015: \$2,742) in respect of tax losses amounting to \$12,769 (2016: \$15,324; 2015: \$11,572).

In addition, the Company did not recognize deferred assets of \$1,144 (2016: \$1,321; 2015: \$731) in relation to deductible temporary differences amounting to \$4,930 (2016: \$5,682; 2015: \$2,927).

There are no income tax consequences attached to the payment of dividends in either 2017 or 2016 by the Company to its shareholders.

As of December 31, 2017 and 2016, 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**

	2017	2016	2015
	US\$'000	US\$'000	US\$'000
Balance as of January 1	828	1,856	2,144
Additions based on tax positions related to the current year	—	—	—
Decrease due to lapses in statute of limitations	(175)	(923)	(176)
Exchange difference	53	(105)	(112)
<b>Balance as of December 31</b>	<b>706</b>	<b>828</b>	<b>1,856</b>

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, 2017, 2016, and 2015 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 \$706, \$828 and \$1,856, respectively.



## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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:

	<b>As of December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
Accrued interest on uncertain tax position	800	897	2,355
Accrued penalties on uncertain tax position	486	535	1,060
<b>Total accrued interest and penalties on uncertain tax position</b>	<b>1,286</b>	<b>1,432</b>	<b>3,415</b>

For the years ended December 31, 2017, 2016 and 2015, the Company recognized \$114, \$135 and \$321 in interest and \$nil, \$nil and \$nil in penalty, respectively. For the years ended December 31, 2017, 2016 and 2015, the Company reversed \$276, \$1,453 and \$276 in interest and \$87, \$462 and \$88 in penalties, respectively, due to lapses in statute of limitations. For the years ended December 31, 2017, 2016 and 2015, the exchange difference \$65, \$(140) and \$ (132) relating to interests, \$38, \$(63) and \$(65) 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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**9. EARNINGS PER SHARE**

Earnings per share are calculated by dividing net 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 beyond the treasury shares disclosed in Note 22. 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 earnings per share.

The following table sets forth the computation of basic and diluted earnings attributable to common shareholders per share:

	<b>For the year ended</b>		
	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
	(except for number of shares and earnings per share)		
<b>Numerator:</b>			
Net profit/(loss) attributable to APWC from continuing operations	8,720	2,853	(7,694)
<b>Net profit/(loss) attributable to APWC</b>	<b>8,720</b>	<b>2,853</b>	<b>(7,694)</b>
<b>Denominator:</b>			
Weighted-average common shares outstanding – basic and diluted	13,819,669	13,819,669	13,819,669
<b>Earnings per share – basic and diluted</b>			
Continuing operations	0.63	0.21	(0.56)
<b>Total earnings per share – basic and diluted</b>	<b>0.63</b>	<b>0.21</b>	<b>(0.56)</b>

Income from continuing operations attributable to non-controlling interests are \$4,808, \$3,172 and \$(1,417) for the years ended December 31, 2017, 2016 and 2015, respectively.

**10. CASH AND CASH EQUIVALENTS**

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
<b>Cash on hand and cash at banks</b>	<b>46,093</b>	<b>48,231</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash equivalents include short-term deposits which are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. As of December 31, 2017 and 2016, the Company had no cash equivalents.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

## 11.1 Other financial assets and liabilities

	As of December 31,			
	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial instruments at fair value through profit or loss</b>				
Foreign exchange forward contracts (Note 11.3)	—	139	187	—
<b>Total financial instruments at fair value through profit or loss</b>	<b>—</b>	<b>139</b>	<b>187</b>	<b>—</b>
<b>Assets held-to-maturity</b>				
Quoted debt securities	—	—	309	—
<b>Total assets held-to-maturity</b>	<b>—</b>	<b>—</b>	<b>309</b>	<b>—</b>
<b>Available for sale investments</b>				
Unquoted equity shares	2,747	—	2,765	—
<b>Total available for sale investments</b>	<b>2,747</b>	<b>—</b>	<b>2,765</b>	<b>—</b>
<b>Total other financial assets and liabilities</b>	<b>2,747</b>	<b>139</b>	<b>3,261</b>	<b>—</b>
<b>Total current</b>	<b>—</b>	<b>139</b>	<b>187</b>	<b>—</b>
<b>Total non-current</b>	<b>2,747</b>	<b>—</b>	<b>3,074</b>	<b>—</b>

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

Financial assets and liabilities at fair value through profit or loss reflect the positive change 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 purchases.

*Assets held-to-maturity – quoted debt securities*

A Thai subsidiary invested \$309 (Baht 11 million) in subordinated debentures of Bangkok Bank Public Company Limited as of December 31, 2016. The debentures bear a fixed interest rate of 4.375% per annum with a maturity of ten years callable at the option of the issuer after five years. As the call option is clearly and closely related to the debt host contract, no bifurcation of embedded call option is required.

During the year ended December 31, 2017 the Thai subsidiary redeemed all the subordinated debentures at face value prior to its maturity, subject to the term and conditions of debentures and other relevant laws by Bangkok Bank Public Company Limited.

The market yield is close to coupon rate. The fair value approximated its amortized cost as the debentures redeemed.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**11. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****11.1 Other financial assets and liabilities (continued)***Available-for-sale investments - unquoted equity shares*

The investments in shares of a non-listed company, which are recognized initially at fair value plus transaction costs. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as the other comprehensive income. Available-for-sale investments – unquoted equity share consist of the investments in Thai Metal Processing Co., Ltd, (“TMP”) which is engaged in the fabrication of copper rods. During the years ended December 31, 2017, 2016 and 2015, the Company received dividends of \$100, \$96 and \$99 from TMP, respectively, which were recorded in other income in the consolidated income statements.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**11. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****11.2 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 \$250,923 and \$233,837 as of December 31, 2017 and 2016, 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, 2017 and 2016, the unused portion of the credit lines was approximately \$144,478 and \$139,854, respectively, which included unused letters of credit amounting to \$74,911 and \$74,039, 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, 2017 and 2016, the Company had open letters of credit totaling \$37,559 and \$24,743, respectively. Liabilities relating to the letters of credit are included in current liabilities.

	As of December 31,						
	2017			2016			
	Interest rate %	Maturity	Local currency '000	US\$'000	Interest rate %	Maturity	Local currency
<b>Current interest-bearing loans and borrowings</b>							
Bank loans	3.20 ~ 3.50	Feb. 2018	USD\$3,800	3,800	3.00 ~ 3.50	Nov. 2017	US\$
Bank loans	4.70 ~ 5.22	Apr. 2018 ~ Sept. 2018	RMB\$30,000	4,602	4.70 ~ 4.79	Feb. 2017 ~ Oct. 2017	RMB
Trust receipt	1.70 ~ 2.60	Jan. 2018 ~ Jun. 2018	THB\$1,058,995	32,649	1.10 ~ 2.10	Jan. 2017 ~ Jun. 2017	THB
Trust receipt	2.47 ~ 2.54	Feb. 2018	SGD\$134	100	2.47 ~ 2.54	Dec. 2017	SGD
<b>Total current interest-bearing loans and borrowings</b>				<b>41,151</b>			

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**11. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****11.3 Hedging activities and derivatives*****Commodity price risk***

The Company purchases copper on an ongoing basis as its operating activities require a continuous supply of copper for the manufactured products. The Company exercises rigorous controls through the commodity forward contracts to reduce its exposure to the fluctuations in market prices for copper 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 in accordance with the Company's expected sales or production timing or usage requirements. Such contracts are not within the scope of hedging accounting, or derivatives. To date, these contract positions have not had a material effect on the Company's financial position, results of operations or cash flow.

***Foreign currency risk***

The Company enters into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchased, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss. These contracts are entered into the periods consistent with foreign currency exposure of the underlying transactions, generally from one to 12 months.

As of December 31, 2017 and 2016, the Company had outstanding forward contracts with notional amounts of \$(18.9) million and \$9.5 million respectively. The outstanding forward contracts mature between Jan. 4, 2018 and Dec. 17, 2018. The Company recognized gain(loss) amounted to \$(332), \$171 and \$20 for the years ended December 31, 2017, 2016 and 2015, respectively, in the consolidated income statements.

The forward contract balance varies with the expected foreign currency transactions and changes in foreign exchange rate.

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Foreign currency forward contracts</b>				
Fair value	—	139	187	—

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**11. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****11.4 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:

	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>As of December 31,</u>		<u>As of December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets-current</b>				
Cash and cash equivalents	46,093	48,231	46,093	48,231
Other current financial assets – at fair value through profit or loss	—	187	—	187
Trade receivables	112,403	79,472	112,403	79,472
Other receivables	9,509	16,918	9,509	16,918
Due from related parties	13,354	12,573	13,354	12,573
<b>Financial assets-non-current</b>				
Other non-current financial assets – available for sale	2,747	2,765	2,747	2,765
Other non-current financial assets – held to maturity	—	309	—	309
<b>Total</b>	<b>184,106</b>	<b>160,455</b>	<b>184,106</b>	<b>160,455</b>
<b>Financial liabilities-current</b>				
Interest-bearing loans and borrowings	41,151	28,225	41,151	28,225
Other current financial liabilities – at fair value through profit or loss	139	—	139	—
Trade and other payables	28,850	30,023	28,850	30,023
Due to related parties	5,805	3,096	5,805	3,096
Due to immediate holding company	1,537	1,537	1,537	1,537
Financial lease liabilities	36	29	36	29
<b>Financial liabilities-non-current</b>				
Financial lease liabilities	42	54	42	54
<b>Total</b>	<b>77,560</b>	<b>62,964</b>	<b>77,560</b>	<b>62,964</b>

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, due to immediate holding company and financial lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- ▶ Fixed-rate and variable-rate receivables/borrowings 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, 2017 and 2016, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- ▶ Fair value of other current financial assets and liabilities - derivatives is derived from inputs other than quoted prices that are observable for the asset or liability.
- ▶ Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques



## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**11. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)****11.4 Fair values (continued)**

- ▶ Fair value of interest-bearing borrowings and loans and other non-current financial assets – held to maturity are determined by using discounted cash flow method using 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, 2017 was assessed to be insignificant.

**Description of significant unobservable inputs to valuation**

	Valuation technique	Significant unobservable inputs	Liquidity discount (2017 and 2016)	Sensitivity of the input to fair value	
				2017	2016
<b>Financial asset</b>					
Available-for-sale financial assets in unquoted equity instruments	Market Approach Method	Liquidity Discount	30%	5% decrease in the discount would increase in fair value by \$203	5% decrease in the discount would increase in fair value by \$204

The Company estimates the fair value of available-for-sale financial investments in unquoted equity shares 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 +/- or EBIT versus Net Earnings +/- or Net Cash Flow
- ▶ Balance Sheet based: Net Total Assets versus Shareholders Funds

Discount for the lack of liquidity to reflect the lesser liquidity of unquoted equity instruments 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 unquoted equity shares. The unquoted equity shares' finance performance is characterized by stable, consistent growth and profitability. The Company believes the liquidity discount of 30% would be appropriate.

The Company carries unquoted equity shares as available-for-sale financial instruments classified as level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances is summarized below:

	2017 US\$'000	2016 US\$'000
<b>At January 1</b>	<b>2,765</b>	<b>2,862</b>
Re-measurement recognized in other comprehensive income (loss)	(80)	(102)
Exchange difference	62	5
<b>At December 31</b>	<b>2,747</b>	<b>2,765</b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. TRADE AND OTHER RECEIVABLES

	As of December 31,	
	2017	2016
	US\$'000	US\$'000
Trade receivables	115,875	82,814
Less: Provision for impairment	(3,472)	(3,342)
<b>Trade receivable, net</b>	<b>112,403</b>	<b>79,472</b>
Other receivables	9,537	17,107
Less: Provision for impairment	(28)	(189)
<b>Other receivable, net</b>	<b>9,509</b>	<b>16,918</b>

As of December 31, 2017 and 2016 trade receivables of an initial value of \$3,472 and \$3,342, respectively, were impaired.

As of December 31, 2017 and 2016 other receivables of an initial value of \$28 and \$189, respectively, were impaired.

See below for the movement in the provision for impairment of trade receivables.

	Individually impaired	Collectively impaired	Total
	US\$'000	US\$'000	US\$'000
<b>At January 1, 2016</b>	<b>3,129</b>	<b>160</b>	<b>3,289</b>
Charge for the year	106	242	348
Write-off	(85)	(6)	(91)
Unused amounts reversed	(21)	(48)	(69)
Currency translation adjustment	(132)	(3)	(135)
Reclassification	(16)	16	—
<b>At December 31, 2016</b>	<b>2,981</b>	<b>361</b>	<b>3,342</b>
Charge for the year	438	172	610
Write-off	(385)	(44)	(429)
Unused amounts reversed	(269)	(39)	(308)
Currency translation adjustment	223	37	260
Reclassification	(3)	—	(3)
<b>At December 31, 2017</b>	<b>2,985</b>	<b>487</b>	<b>3,472</b>

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			Past due 1- 3 months	Past due 3- 6 months	Past due 6- 12 months	Past due over 12 months
			US\$'000	US\$'000	US\$'000	US\$'000
<b>December 31, 2017</b>	112,403	90,503	20,608	654	397	241
<b>December 31, 2016</b>	79,472	59,959	16,858	1,642	474	539

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**12. TRADE AND OTHER RECEIVABLES (continued)**

The Company maintains provision for impairment of trade receivables for estimated losses resulting from the inability of its customers to make required payments. Management considers 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. The impairment losses assessed individually as of December 31, 2017 and 2016 primarily resulted from the financial difficulties of the counter trading parties and the amounts recognized were the difference between the carrying amount of the accounts receivable and the present value of expected collectable amounts.

The Company obtained collateral in respect of customer doubtful accounts. 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 accounts. In March 2017, a lawsuit was filed by a debtor to rescind the foreclosure that the Company has undertaken on the collateral in Thailand. Although the estimated litigation process may be as long as two years if it reaches to the supreme court, the Company believes that it has the first lien on the collateral and its foreclosure will prevail. The collateral is not recorded on the balance sheet. The Company performed a valuation to determine the fair value of the collateral. As of December 31, 2017 the fair values of the collateral were \$1,181 which was higher than the amounts of the associated delinquent accounts, no impairments was recognized; and, as of December 31, 2016, the fair value of the collateral was \$842, which was lower than the amount of the associated delinquent account, as a result, the Company recognized an impairment of \$191 in other operating expenses.

See Note 26(b) credit risk of trade receivables, which discusses how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**13. INVENTORIES**

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
Raw materials and supplies	32,278	24,382
Work in progress	14,240	12,057
Finished goods	39,460	31,489
Distributed products	13,591	11,130
	<u>99,569</u>	<u>79,058</u>
Allowance for inventories	(2,364)	(1,651)
<b>Total inventories at the lower of cost and net realizable value</b>	<b><u>97,205</u></b>	<b><u>77,407</u></b>

Inventories recognized as an expense during the year ended December 31, 2017, December 31, 2016 and December 31, 2015 amounted to \$384,995, \$356,263 and \$364,662 respectively.

For the year ended December 31, 2017, the Company recognized allowance for inventory of \$532 as an expense in cost of sales for inventories carried at net realizable value.

For the year ended December 31, 2016, the amount of \$3,306 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, 2015, the Company recognized allowance for inventory of \$1,481 as an expense in cost of sales for inventories carried at net realizable value.

**14. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS**

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
Construction contract work-in-progress		
Construction costs	31,778	15,406
Attributable profit	744	366
	<u>32,522</u>	<u>15,772</u>
Less: Progress billing received and receivable	(32,360)	(13,727)
<b>Total gross amounts due from customers for contract work</b>	<b><u>162</u></b>	<b><u>2,045</u></b>

Revenues recognized in excess of amounts billed are classified as current assets under gross amounts due from customers for contract work-in-progress. Amounts billed to clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Building improvement</u>	<u>Machinery and equipment</u>	<u>Motor vehicle and other asset and assets under finance lease</u>	<u>Office equipment</u>	<u>Construction in progress</u>	<u>Tot</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'
<b>Cost</b>								
<b>At January 1, 2016</b>	4,417	47,371	4,547	89,608	4,642	6,112	5,810	162,
Additions	—	19	71	443	367	312	3,871	5,
Disposals	—	(116)	(1)	(4,854)	(440)	(220)	(6)	(5,
Transfer	—	2,331	709	4,136	75	50	(7,700)	(
Classified as held for sales	—	(4,809)	(454)	(221)	—	(13)	—	(5,
Exchange differences	32	(561)	(11)	(215)	(36)	(14)	95	(
<b>At December 31, 2016</b>	<b>4,449</b>	<b>44,235</b>	<b>4,861</b>	<b>88,897</b>	<b>4,608</b>	<b>6,227</b>	<b>2,070</b>	<b>155,</b>
Additions	1,120	34	19	400	1,119	396	1,845	4,
Disposals	—	—	—	(4,392)	(914)	(213)	—	(5,
Transfer	—	—	292	2,600	—	124	(3,016)	
Classified as held for sales	—	—	—	—	—	—	—	
Exchange differences	658	4,152	450	9,459	417	425	148	15,
<b>At December 31, 2017</b>	<b>6,227</b>	<b>48,421</b>	<b>5,622</b>	<b>96,964</b>	<b>5,230</b>	<b>6,959</b>	<b>1,047</b>	<b>170,</b>

	<u>Land</u>	<u>Buildings</u>	<u>Building improvement</u>	<u>Machinery and equipment</u>	<u>Motor vehicle and other asset and assets under finance lease</u>	<u>Office equipment</u>	<u>Constructi</u>
							<u>progre</u>
<b>Depreciation/Impairment</b>							
<b>At January 1, 2016</b>	—	(29,950)	(2,475)	(75,483)	(3,498)	(5,203)	
Depreciation charge for the year	—	(1,691)	(241)	(2,672)	(455)	(368)	
Impairment	—	—	(107)	(2,351)	(29)	(37)	
Depreciation on disposals	—	116	1	4,858	432	217	
Transfer	—	156	—	—	—	—	
Classified as held for sales	—	2,512	97	76	—	10	
Exchange differences	—	245	(6)	90	28	18	
<b>At December 31, 2016</b>	<b>—</b>	<b>(28,612)</b>	<b>(2,731)</b>	<b>(75,482)</b>	<b>(3,522)</b>	<b>(5,363)</b>	
Depreciation charge for the year	—	(1,356)	(254)	(2,513)	(477)	(337)	
Impairment	—	—	—	(217)	—	(6)	
Depreciation on disposals	—	—	—	4,024	877	207	
Transfer	—	—	—	—	—	—	

Classified as held for sales	—	—	—	—	—	—
Exchange differences	—	(3,114)	(269)	(8,302)	(308)	(389)
<b>At December 31, 2017</b>	<b>—</b>	<b>(33,082)</b>	<b>(3,254)</b>	<b>(82,490)</b>	<b>(3,430)</b>	<b>(5,888)</b>

	<u>Land</u>	<u>Buildings</u>	<u>Building improvement</u>	<u>Machinery and equipment</u>	<u>Motor vehicle and other asset and assets under finance lease</u>	<u>Office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Net book value</b>								
<b>At December 31, 2017</b>	<u>6,227</u>	<u>15,339</u>	<u>2,368</u>	<u>14,474</u>	<u>1,800</u>	<u>1,071</u>	<u>1,047</u>	<u>42,326</u>
<b>At December 31, 2016</b>	<u>4,449</u>	<u>15,623</u>	<u>2,130</u>	<u>13,415</u>	<u>1,086</u>	<u>864</u>	<u>2,070</u>	<u>39,637</u>
<b>At January 1, 2016</b>	<u>4,417</u>	<u>17,421</u>	<u>2,072</u>	<u>14,125</u>	<u>1,144</u>	<u>909</u>	<u>5,810</u>	<u>45,898</u>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**15. PROPERTY, PLANT AND EQUIPMENT (continued)****Impairment of property, plant and equipment:**

In 2017, 2016 and 2015 the Company recorded an impairment loss of \$0.2, \$2.5 and \$0 million on property, plant and equipment at Ningbo Pacific and SFO facilities.

The Company determined to dispose building, land use rights and machinery at Ningbo Pacific due to lack of profitability. The Company has entered into an agreement to sell building and land use rights, the assets has classified as held for sale as of December 31, 2016. See the details below. The Company performed a valuation for utilized machinery measured at fair value less costs to sell using a cost approach. 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 recognized an impairment of \$1.1 million in other operating expenses accordingly in 2016. In 2017, the company provided an impairment loss of \$0.2 million because there are no future plans for the remaining machinery and equipment. The impairment is presented within the impairment of property, plant and equipment of North Asia segment in Note 5.

In 2016, SFO has not been able to make a profit due to Thailand's political situation and change in market demand, the Company considered this situation had an indication of possible impairment and performed an impairment test on the CGU composed of property, plant and equipment used in the manufacturing of fiber optic cables. 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%; as a result, the Company recognized an impairment of \$1.4 million in other operating expenses. The impairment is presented within the impairment of property, plant and equipment of Thailand segment in Note 5.

**Assets classified as held for sale:**

	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000
Carrying value of assets held for sale previously classified under property, plant and equipment:		
Building	—	2,297
Building improvement	—	357
Machinery and equipment	—	145
Office equipment	—	3
	<u>—</u>	<u>2,802</u>

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 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 asset is presented within total assets of North Asia segment in Note 5.

**Capitalized borrowing costs**

Capitalized interest on construction in progress is added to the cost of the underlying asset and is depreciated over the estimated useful life of the asset in the same manner as the underlying asset.

There was no borrowing cost capitalized for the years ended December 31, 2017, 2016 and 2015.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**15. PROPERTY, PLANT AND EQUIPMENT (continued)****Financial leases under property, plant and equipment**

The carrying value of motor vehicles under financial leases as of December 31, 2017, 2016 and 2015 were \$50, \$71 and \$64, respectively.

**Pledge**

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 26.

**16. PREPAID LAND LEASE PAYMENTS**

	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000
<b>Carrying amount as of January 1,</b>	<b>1,105</b>	<b>1,794</b>
Recognized lease expense during the year	(35)	(57)
Classified as held for sales	—	(566)
Exchange difference	33	(66)
<b>Carrying amount as of December 31,</b>	<b>1,103</b>	<b>1,105</b>
<b>Current portion included in prepayments</b>	<b>36</b>	<b>35</b>
<b>Non-current portion included in prepaid land lease payments</b>	<b>1,067</b>	<b>1,070</b>

The property land is situated in Mainland China and is held under a long-term operating lease for 33 – 50 years.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**17. INVESTMENT PROPERTIES**

The net book value of investment properties as of December 31, 2016 and 2015 was as follow:

	<b>Land not being used for operation</b>	<b>Office buildings for rent</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000
<b>As of December 31, 2017</b>			
Cost	429	712	1,141
Less: Accumulated depreciation	—	(378)	(378)
<b>Net book value</b>	<b>429</b>	<b>334</b>	<b>763</b>

	<b>Land not being used for operation</b>	<b>Office buildings for rent</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000
<b>As of December 31, 2016</b>			
Cost	309	659	968
Less: Accumulated depreciation	—	(315)	(315)
<b>Net book value</b>	<b>309</b>	<b>344</b>	<b>653</b>

A reconciliation of the net book value of investment properties was as follow:

	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
<b>Net book value at January 1</b>	<b>653</b>	<b>667</b>
Depreciation (included in administrative expenses)	(35)	(24)
Addition	84	—
Disposals	—	(229)
Transfer from property plant and equipment	—	240
Exchange difference	61	(1)
<b>Net book value at December 31</b>	<b>763</b>	<b>653</b>

Investment properties are carried at historical cost less accumulated depreciation and impairment. Land is not depreciated and office buildings are depreciated on a straight-line basis over the estimated useful lives of 20 years.

On May 31, 2016, the Board of Directors of Charoong Thai approved the sale of land not being used for operating for a consideration of \$4,695 (Baht 165 million). The sale of the land resulted in a gain of \$4,466 (Baht 157 million) which was recognized in other operating income of the Company's 2016 consolidated financial statements.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**17. INVESTMENT PROPERTIES (continued)**

The amount recognized in profit arising from the investment properties for the years ended December 31, 2017, 2016 and 2015 was as follow:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	US\$'000	US\$'000	US\$'000
Rental income derived from investment properties	68	36	16
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)	(1)	(1)
<b>Net profit arising from investment properties carried at cost</b>	<u>66</u>	<u>34</u>	<u>14</u>

The fair value of the investment properties are stated below:

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000
Land not being used for operation	9,548	8,851
Office building for rent	1,303	924

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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**18. INTANGIBLE ASSETS***Computer software*

	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000
<b>Cost</b>		
At January 1	510	387
Addition	10	126
Disposals	(18)	—
Exchange difference	24	(3)
At December 31	<u>526</u>	<u>510</u>
<b>Accumulated amortization</b>		
At January 1	(337)	(294)
Amortization	(49)	(46)
Disposals	18	—
Exchange difference	(20)	3
At December 31	<u>(388)</u>	<u>(337)</u>
<b>Net book value</b>		
<b>At December 31</b>	<u><u>138</u></u>	<u><u>173</u></u>

The cost 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. Intangible assets are stated at cost less accumulated amortization. Amortization of intangible assets are charged to operating expenses and cost on a straight-line basis over 5 years from the date they are available for use.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. INVESTMENTS IN ASSOCIATES

The associates of the Company are set out below:

Company Name	Nature of business	Country of incorporation	Percentage of equity interest	
			2017	2016
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%
			<b>As of December 31,</b>	
			<b>2017</b>	<b>2016</b>
			US\$'000	US\$'000
<b>Balance at January 1</b>			<b>786</b>	<b>1,633</b>
Additions			—	—
Share of loss of associates			(3)	(710)
Impairment of investment in associates - SPRC			—	(126)
Exchange difference			78	(11)
<b>Balance at December 31</b>			<b>861</b>	<b>786</b>

The investments in SPRC, Loxpac and Loxpac HK have been fully impaired.

The Company's investments in associates are accounted for using the equity method in the consolidated financial statements.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**19. INVESTMENTS IN ASSOCIATES (continued)**

The following table summarized financial information of the Company's investments in associates:

	<b>As of December 31, 2017</b>	
	<b>SPHC</b>	<b>Total</b>
	US\$'000	US\$'000
Current assets	14	14
Non-current assets	1,926	1,926
Current liabilities	(3)	(3)
Non-current liabilities	(180)	(180)
<b>Equity</b>	<b>1,757</b>	<b>1,757</b>

**Reconciliation to the Company's investments in associates:**

Percentage of equity interest	49%	
Carrying amount of the investment	861	861
Revenue	—	—
Loss	(5)	(5)
<b>Share of the associates' profit for the year:</b>	<b>(3)</b>	<b>(3)</b>

	<b>As of December 31, 2016</b>		
	<b>SPRC</b>	<b>SPHC</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000
Current assets	93,461	18	93,479
Non-current assets	2,753	1,753	4,506
Current liabilities	(95,710)	(3)	(95,713)
Non-current liabilities	—	(164)	(164)
<b>Equity</b>	<b>504</b>	<b>1,604</b>	<b>2,108</b>

	<b>As of December 31, 2016</b>		
	<b>SPRC</b>	<b>SPHC</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000
<b>Reconciliation to the Company's investments in associates:</b>			
Percentage of equity interest	25%	49%	
Carrying amount of the investment	—	786	786
Revenue	25,016	—	25,016
Loss	(2,826)	(5)	(2,831)
<b>Share of the associates' profit for the year:</b>	<b>(707)</b>	<b>(3)</b>	<b>(710)</b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**19. INVESTMENTS IN ASSOCIATES (continued)**

	<b>As of December 31, 2015</b>		
	<b>SPRC</b>	<b>SPHC</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000
Revenue	28,989	—	28,989
Loss	(3,194)	(6)	(3,200)
<b>Share of the associates' profit for the year:</b>	<b>(798)</b>	<b>(3)</b>	<b>(801)</b>

As of December 31, 2017 and 2016, the Company's associates had no contingent liabilities or capital commitments.

**20. TRADE AND OTHER PAYABLES**

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
<b>Trade payables</b>	22,973	25,447
<b>Other payables</b>	5,877	4,576
	<b>28,850</b>	<b>30,023</b>

Terms and conditions of the above financial liabilities:

- ▶ Trade payables are non-interest bearing and are normally settled on 60-day terms.
- ▶ Other payables are non-interest bearing and have an average term of 60 days.
- ▶ For terms and conditions relating to other related parties, refer to Note 23.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**21. EMPLOYEE BENEFIT*****Pension – Defined contribution plans***

The Company has several defined contribution plans covering its employees in Australia, PRC and Singapore. Contributions to the plan are made annually. Total charges for the years ended December 31, 2017, 2016 and 2015, were \$1,280, \$1,237 and \$1,172, respectively.

***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 10 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 29 times of final month's salary. The Company's net benefit cost was \$570, \$590 and \$551 for the years ended December 31, 2017, 2016 and 2015, respectively. The plan is not funded. As of December 31, 2017 and 2016, the amount recognized were \$877 and \$594 in current liabilities, \$7,416 and \$6,058 in non-current liabilities, respectively. The Company pays to settle the obligations as and when employees retire.

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:

<b>Net benefit cost</b>	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Current service cost	360	410	362
Interest cost on benefit obligation	210	180	189
<b>Net benefit cost</b>	<b>570</b>	<b>590</b>	<b>551</b>

<b>Other comprehensive income</b>	<b>For the year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Actuarial (gain) / loss – experience	251	217	(15)
Actuarial (gain) / loss – demographic assumption	184	—	(2)
Actuarial (gain) / loss – financial assumption	337	(219)	171
<b>Actuarial loss</b>	<b>772</b>	<b>(2)</b>	<b>154</b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. EMPLOYEE BENEFIT (continued)

Change in the defined obligation	For the year ended December 31,		
	2017	2016	2015
	US\$'000	US\$'000	US\$'000
Defined benefit obligation at January 1	6,652	6,305	6,738
Current service cost	360	410	362
Interest cost on benefit obligation	210	180	189
Benefits paid directly by the Company	(274)	(269)	(597)
Actuarial loss in other comprehensive income	772	(2)	154
Exchange differences	573	28	(541)
<b>Defined benefit obligation at December 31</b>	<b>8,293</b>	<b>6,652</b>	<b>6,305</b>

*Actuarial assumptions*

The significant assumptions used in determining the actuarial present value of the defined benefit obligations for the year ended December 31, 2017 and 2016 are as follows:

	2017	2016
	%	%
Discount rate	2.7	3.1 ~ 3.3
Rate of salary increase	5.0 ~ 6.0	5.0 ~ 6.0
Pre-retirement mortality	* Thailand TMO17 Tables	* Thailand TMO08 Tables

TMO represented as Thailand Mortality Ordinary Tables

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**21. EMPLOYEE BENEFIT (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:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
Within the next 12 months (next annual reporting period)	877	594
Between 2 and 5 years	1,616	1,496
Between 5 and 10 years	3,183	2,431
Beyond 10 years	15,392	13,541
<b>Total expected payments</b>	<b>21,068</b>	<b>18,062</b>
Weight average duration of defined benefit obligation	11 years	11 - 12 years

***Sensitivity analysis***

A one-percentage point change in the assumed rates would have yielded the following effects:

	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
Discount rate – 1% increase	(721)	(588)
Discount rate – 1% decrease	844	687
Rate of salary increase – 1% increase	808	661
Rate of salary increase – 1% decrease	(707)	(574)

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.

***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 departure, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible, the estimated future cash outflows. As of December 31, 2017 and 2016, the amount of long service leave was \$586 and \$527, respectively.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22. EQUITY

<i>Authorized shares</i>	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	Number of shares	Number of shares
Common shares of US\$0.01 each	50,000,000	50,000,000
	<b>Number of shares</b>	<b>US\$'000</b>
<i>Common shares issued and fully paid</i>		
At December 31, 2017	13,830,769	138
At December 31, 2016	13,830,769	138
At January 1, 2016	13,830,769	138

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 intends to 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. It is the intention of the APWC's Board to share the Company's profits with shareholders, while reserving adequate funds for future expansion.

On October 31, 2017, a dividend of \$ 0.1 per share was paid to shareholders of fully paid ordinary share (net of treasury shares 11,100 shares, total dividend \$1,382).

**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, 2017</b>			
	<b>Available-for-sale reserve</b>	<b>Foreign currency translation reserve</b>	<b>Actuarial losses on defined benefit plans</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>(64)</b>	<b>16,130</b>	<b>(618)</b>	<b>15,448</b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**22. EQUITY (continued)**

	<b>For the year ended December 31, 2016</b>			
	<b>Available-for- sale reserve</b>	<b>Foreign currency translation reserve</b>	<b>Actuarial losses on defined benefit plans</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Exchange difference on translation of foreign operations	—	(886)	—	(886)
Re-measuring gains on defined benefit plans	—	—	2	2
Net loss on available-for-sale financial assets	(82)	—	—	(82)
	<b>(82)</b>	<b>(886)</b>	<b>2</b>	<b>(966)</b>

	<b>For the year ended December 31, 2015</b>			
	<b>Available-for- sale reserve</b>	<b>Foreign currency translation reserve</b>	<b>Actuarial losses on defined benefit plans</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Exchange difference on translation of foreign operations	—	(15,847)	—	(15,847)
Re-measuring losses on defined benefit plans	—	—	(206)	(206)
Net gain on available-for-sale financial assets	543	—	—	543
	<b>543</b>	<b>(15,847)</b>	<b>(206)</b>	<b>(15,510)</b>

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**23. 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.

**(a) Outstanding balance with related parties:**

The following table provided the total amount of outstanding balance at December 31, 2017 and 2016.

	<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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	US\$'000	US\$'000	US\$'000	US\$'000
<i>The ultimate parent company</i>				
PEWC	88	2,693	1,019	457
PEWC, Singapore Branch	15	14	—	—
PEWC Singapore Co. (Pte) Ltd.	—	—	1,008	993
PEWC (HK)	7,420	7,488	2,394	88
<i>The immediate holding company</i>				
Moon View	—	—	1,537	1,537
<i>Associate</i>				
SPHC	180	164	1,362	1,362
<i>Non-controlling shareholder of subsidiary</i>				
Italian-Thai and its affiliates	5,651	2,214	—	—
Fujikura Limited	—	—	—	131
Others	—	—	23	65
<b>Total</b>	<b>13,354</b>	<b>12,573</b>	<b>7,343</b>	<b>4,633</b>

As of December 31, 2017 and 2016, the interest rates on the balance due to PEWC Singapore Co., (Pte) Ltd. range from 2.00% to 2.34% and 1.61% to 1.86%, respectively, and the payables are repayable upon demand. All balances with related parties are unsecured.

There is no interest on the balance due to immediate holding company since 2007.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**23. RELATED PARTY TRANSACTIONS (continued)****(b) Transactions with related parties:**

The transactions undertaken with related parties are summarized as follows:

		<b>For the year ended December 31,</b>		
		<b>2017</b>	<b>2016</b>	<b>2015</b>
		US\$'000	US\$'000	US\$'000
<i>The ultimate parent company</i>				
PEWC	Purchases of materials	12,818	2,291	3,706
	Purchases of products	5,352	6,305	3,592
	Sales	1,457	493	111
	Fabrication income received	208	—	—
	Management fee received	—	4	17
	Management fee paid	143	145	241
	Information technology service fee paid	114	118	97
PEWC, Singapore Branch	Management fee received	14	14	14
PEWC Singapore Co. (Pte) Ltd.	Interest expenses paid	15	11	9
PEWC (HK)	Purchases of materials	4,180	6,331	32,440
	Sales	24,437	25,546	29,634
<i>Non-controlling shareholder of subsidiary</i>				
Italian Thai and its affiliates	Sales	6,203	3,058	3,030
	Construction of factory building expenses and acquisition of assets	—	285	2,605
Fujikura Limited	Purchases of products	1,115	1,064	917

*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.

Copper is the major raw material of the Company's wire and cable products. The Company purchases copper in the form of copper rods and copper cathode. Copper cathode is purchased by Siam Pacific to avoid the high import tariffs levied on copper rods. Copper cathode needs to be processed into copper rods prior to the manufacturing of wire and cable products.

Substantially all of the Company's copper rods are supplied by PEWC while copper cathodes are supplied by unrelated third parties. The price of copper rods purchased from PEWC is determined by reference to the quoted copper prices on the London Metal Exchange (the "LME") plus a certain premium.

In addition to copper rods, the Company purchases high voltage power cable from PEWC for distribution purposes. The purchase price of power cable 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, 2017, 2016 and 2015.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**23. RELATED PARTY TRANSACTIONS (continued)**

Pursuant to the composite services agreement:

- (a) PEWC will sell copper rod to the Company, upon the Company's request, (i) 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, (ii) 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 (iii) will give priority in the supply of copper rod to the Company over other purchasers of copper rod from PEWC.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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.

**(c) Compensation of key management personnel of the Company**

	<b>For the years ended December, 31</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	US\$'000	US\$'000	US\$'000
Short-term employee benefits	3,900	3,344	3,382
Post-employment benefits	103	100	87
Termination benefits	43	103	80
<b>Total compensation paid to key management personnel</b>	<b>4,046</b>	<b>3,547</b>	<b>3,549</b>

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**24. COMMITMENTS AND CONTINGENCIES****(a) Operating lease commitments – the Company as lessee**

The Company leases a piece of land in Singapore and certain buildings under non-cancellable operating lease arrangements for terms from 5 to 30 years.

Future minimum rental payable under non-cancellable operating leases with initial terms of one year or more consisted of the following:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
Within one year	1,174	823
After one year but not more than five years	859	1,067
More than five years	1,607	1,774
	<b>3,640</b>	<b>3,664</b>

**(b) Finance lease and hire purchase commitments**

The Company leases certain machinery and equipment under finance leases.

Future minimum payments under finance leases with initial terms of one year or more consisted of the following as of December 31:

	<b>2017</b>		<b>2016</b>	
	<b>Minimum payments</b>	<b>Present value of payments (Note 15)</b>	<b>Minimum payments</b>	<b>Present value of payments (Note 15)</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	39	36	32	29
After one year but not more than five years	44	42	57	54
More than five years	—	—	—	—
Total minimum lease payments	83	78	89	83
Less: amount representing finance charges	(5)	—	(6)	—
<b>Present value of minimum lease payment</b>	<b>78</b>	<b>78</b>	<b>83</b>	<b>83</b>

As of December 31, 2017 and 2016, the finance lease liabilities are secured by the leased machinery and equipment at cost of \$148 and \$131, respectively. The accumulated depreciation of these leased assets as of December 31, 2017 and 2016 amounted to \$98 and \$60, respectively. The depreciation of machinery and equipment under finance leases are included in the depreciation expenses under costs of sales. The average discount interest rate implicit in the lease is 5.11% and 4.98%, for 2017 and 2016, respectively.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**24. COMMITMENTS AND CONTINGENCIES (continued)****(c) Purchase commitments**

As of December 31, 2017 and 2016, the Company and its subsidiaries had commitments to purchase raw materials totaling \$175 million to \$277 million and \$111 million to \$203 million (24,005 to 37,930 metric tons and 19,620 to 35,920 metric tons), respectively, from third parties at the prices stipulated in the contracts.

**(d) Capital commitments**

As of December 31, 2017 and 2016, the Company and its subsidiaries had capital commitment relating to the construction of factory building improvement and acquisition of machinery, totaling \$0.8 million and \$0.2 million, respectively.

**(e) Guarantees**

As of December 31, 2017 and 2016, Charoong Thai and its subsidiaries had given continuing corporate guarantee of \$2 million and \$2 million, respectively, in respect of banking facilities extended to two operating subsidiaries.

As of December 31, 2017 and 2016, the Company provided a corporate guarantee not exceeding the sum of \$31.2 million and \$31.2 million, respectively, for the bond performance and banking facility of Sigma Cable.

As of December 31, 2017 and 2016, there were outstanding bank guarantees of \$35.2 million and \$29 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.

**(f) Service commitments**

As of December 31, 2017 and 2016, the Company and its subsidiaries had commitments in respect of repair and maintenance consulting services with related parties totaling \$0.1 million and \$0.1 million, respectively.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. FAIR VALUE MEASUREMENT

## Quantitative disclosures fair value measurement hierarchy for assets (liabilities) as of December 31, 2017:

Date of valuation	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>Fair value information:</b>					
Available-for-sale financial assets (Note 11.1)					
Unquoted equity shares					
Thai Metal Processing Co., Ltd.	December 31, 2017	2,747	—	—	2,747
Other current financial assets (liabilities) - derivatives (Note 11.1)					
Foreign exchange forward contract	December 31, 2017	(139)	—	(139)	—
Assets for which fair values are disclosed:					
Investment properties (Note 17)					
Land	December 31, 2017	9,548	—	—	9,548
Office buildings	December 31, 2017	1,303	—	—	1,303

There have been no transfers between Level 1 and Level 2 during the year.

## Quantitative disclosures fair value measurement hierarchy for assets (liabilities) as of December 31, 2016:

Date of valuation	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>Fair value information:</b>					
Available-for-sale financial assets (Note 11.1)					
Unquoted equity shares					
Thai Metal Processing Co.,	December 31, 2016	2,765	—	—	2,765

Ltd.					
Other current financial assets (liabilities) - derivatives (Note 11.1)					
Foreign exchange forward contract					
December 31, 2016	187	—	187	—	
Assets for which fair values are disclosed:					
Investment properties (Note 17)					
Land	December 31, 2016	8,851	—	—	8,851
Office buildings	December 31, 2016	924	—	—	924

There have been no transfers between Level 1 and Level 2 during the year.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**26. 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.

**(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, available-for-sale investments and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as of December 31, 2017 and 2016.

The analysis exclude 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.

**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 45% of the Company's financial liabilities bear floating interest rate and the rest of its financial liabilities either bears 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, 2017 and 2016 to increase/decrease by \$113 and \$75, respectively.

**Equity price risk**

The Company's unlisted equity security is classified as non-current financial assets-available for sale which is subsequently measured at estimated fair value.

At the reporting date, the exposure to unlisted equity security at fair value was \$2.8 million (2016: \$2.8 million). Sensitivity analysis of the unlisted equity investment has been provided in Note 11.4.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**26. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)****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 reporting currency are summarized below.

	Financial Assets		Financial Liabilities	
	As of December 31,		As of December 31	
	2017	2016	2017	2016
Thai Baht (THB)	354	354	30	30
Singapore dollar (SGD)	39	127	58	23
Taiwan dollar (TWD)	5,927	1,602	1,705	2,201
Renminbi (RMB)	115,545	88,477	21,961	12,965
Hong Kong dollar (HKD)	31,578	19,840	42	63
Australian dollar (AUD)	766	919	—	—
Japanese yen (JPY)	—	—	—	14,978

**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 the US dollar, with all other variables held constant.

	Change rate	THB	SGD	TWD	RMB	HKD	AUD	JPY
	5%	—	4	(1)	541	128	34	(6)
<b>2016</b>	-5%	—	(4)	1	(541)	(127)	(34)	6
	5%	—	(1)	7	718	202	30	—
<b>2017</b>	-5%	—	1	(7)	(718)	(202)	(30)	—

**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.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**26. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)****Commodity price sensitivity**

The following table shows the potential effect of price changes in copper.

	<u>Change in year-end price</u> US\$'000	<u>Effect on profit before tax</u> US\$'000	<u>Effect on equity</u> US\$'000
2017	+44%	11,282	N/A
Copper	-44%	(11,282)	N/A
2016	+25%	6,302	N/A
Copper	-25%	(6,302)	N/A

On average, copper composes around 80% and 84% of the product cost in 2017 and 2016, respectively. The above sensitivity analysis is based on the average fluctuation rate in the past five years and one month manufacturing lead time to estimate its impact on profit before tax.

**(b) Credit risk**

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, held-to-maturity securities and trade and other receivables.

The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are 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. In addition, in selected countries, the Company uses credit rating agency such as Dun and Bradstreet to screen out new low performing customers. Customers are given credit terms over time when they establish good payment patterns with the Company.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company carefully assesses the financial strength of its customers and generally does not require any collateral. The Company's exposure to credit risk arises from default of counterparty, with maximum exposure equal to the carrying amount of these financial instruments.

The Company is exposed to credit loss in the event of non-performance by counter-parties on foreign exchange contracts and trade and other receivables. For the year end December 31, 2017 and 2016, the Company recorded a provision of allowance for doubtful accounts of \$2.0 million and \$1.8 million, respectively, for a customer of a subsidiary who was not able to settle overdue payments.

As of December 31, 2017 and 2016, trade receivables from one customer represented 22.4% and 8.2% of total trade receivables of the Company, respectively. The credit concentration risk of other trade receivables is insignificant.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**26. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)****(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 \$46 million in cash and cash equivalents, \$144 million in unutilized amounts of bank loans, and the total financial liabilities is \$78 million at the reporting date, which for financial assets and liabilities results in a net asset position. Liquidity risk is considered to be minimal.

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</u>	<u>4 to 5</u>	<u>&gt; 5 years</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As of December 31, 2017</b>					
<b>Financial liabilities</b>					
Interest-bearing loans and borrowings	41,461	—	—	—	41,461
Trade and other payables	28,850	—	—	—	28,850
Due to related parties	5,805	—	—	—	5,805
Due to immediate holding company	1,537	—	—	—	1,537
Other current financial liabilities - at fair value through profit or loss	139	—	—	—	139
Finance lease liability	39	27	15	2	83
	<u>77,831</u>	<u>27</u>	<u>15</u>	<u>2</u>	<u>77,875</u>
<b>As of December 31, 2016</b>					
<b>Financial liabilities</b>					
Interest-bearing loans and borrowings	28,454	—	—	—	28,454
Trade and other payables	30,023	—	—	—	30,023
Due to related parties	3,096	—	—	—	3,096
Due to immediate holding company	1,537	—	—	—	1,537
Finance lease liability	32	49	8	—	89
	<u>63,142</u>	<u>49</u>	<u>8</u>	<u>—</u>	<u>63,199</u>

**(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, 2017 and 2016.



## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**26. FINANCIAL RISK MANAGEMENT OBJECTIVES (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.

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	US\$'000	US\$'000
Interest bearing loans and borrowings	41,151	28,225
Trade and other payables	28,850	30,023
Less: cash and cash equivalents	(46,093)	(48,231)
Net debt	23,908	10,017
Total Equity	222,826	197,175
<b>Capital and net debt</b>	<b>246,734</b>	<b>207,192</b>
Gearing ratio	9.7%	4.8%

The Company has no direct business operations other than its ownership of the capital stock of its subsidiaries and joint venture 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 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 the Company's ability to fund operations of one subsidiary with dividends and other payments received from another subsidiary.

**(e) Collateral**

The credit lines of the Company were collateralized by:

- (i) Mortgage of the Company's land, buildings, machinery and equipment with a total carrying amount of \$8,633 at December 31, 2017 (2016: \$8,778);
- (ii) Pledge of other receivables of \$7,528 at December 31, 2017 (2016: \$6,872) ;
- (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 \$25,781 of a subsidiary as of December 31, 2017 (2016: \$ 27,607).

The weighted average interest rates on bank loans and overdrafts as of December 31, 2017 and 2016 were 2.85% and 3.14% per annum, respectively.

## ASIA PACIFIC WIRE &amp; CABLE CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**27. CASH FLOW INFORMATION**

<b>A. Net debt reconciliation</b>	<b>Interest - bearing loans and borrowings</b>	<b>Financial lease liabilities</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000
<b>Balance at January 1, 2017</b>	<b>28,225</b>	<b>83</b>	<b>28,308</b>
Cash inflows	27,714	—	27,714
Cash outflows	(17,306)	(41)	(17,347)
Foreign exchange adjustments	2,518	6	2,524
Acquisition of PP&E by finance lease	—	30	30
<b>Balance at December 31, 2017</b>	<b>41,151</b>	<b>78</b>	<b>41,229</b>
Cash and cash equivalents			46,093
Net credit			<b>4,864</b>

<b>B. Non-cash transactions with non-controlling interests</b>	<b>Year end December 31, 2017</b>
	US\$'000
Conversion of debt to equity	167
Conversion of preference shares to ordinary shares	(399)
Net decrease in additional paid-in capital	<b>(232)</b>

**28. SUBSEQUENT EVENT**

## CTW dividend payments

On March 12, 2018, the Board of Directors of Charoong Thai approved the dividend payments to its shareholders in \$4.4 million (Baht 139.3 million, at the rate of Baht 0.35 per share). The dividend payment was approved by the Annual General Meeting of Shareholders on April 24, 2018 and will be paid on May 15, 2018. The amount of \$ 2.2 million will be paid to non-controlling interest.

Other than the above events, the Company is not aware of any matter or circumstance not otherwise dealt with in the report 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.

**29. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issuance by the board of directors on April 26, 2018.