

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2020 and 2019**

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

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## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of Apex International Co., Ltd. and its subsidiaries as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, as well as the changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Apex International Co., Ltd. and its subsidiaries as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019, as well as its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

August 11, 2020

**Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2020 and 2019**

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

**Consolidated Balance Sheets**

**June 30, 2020, December 31, 2019, and June 30, 2019**

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019		June 30, 2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>Assets</b>									
<b>Current assets:</b>									
11xx Cash and cash equivalents (notes 6(a) and (f))	\$	873,746	6	299,901	3	344,114	3	790,227	6
1100 Financial assets measured at fair value through profit or loss – current (notes 6(b), (l) and (s))		412	-	3,474	-	4,328	-	35	-
1150 Notes receivable, net (notes 6(c), (f) and (r))		4,959	-	-	-	-	-	2,561,808	20
1170 Accounts receivable, net (notes 6(c), (f) and (r))		3,197,044	23	2,871,444	25	3,198,594	25	516,557	4
1200 Other receivables (note 6(d))		48,673	-	35,726	-	37,484	-	188,742	2
130x Inventories (notes 6(c) and (f))		2,301,921	17	1,800,906	15	2,514,672	19	465,236	4
1479 Other current assets (note 6(f))		70,990	1	58,044	-	72,655	1	210	-
<b>Total current assets</b>		<b>6,497,745</b>	<b>47</b>	<b>5,069,495</b>	<b>43</b>	<b>6,171,847</b>	<b>48</b>	<b>184,531</b>	<b>1</b>
<b>Non-current assets:</b>									
15xx Financial asset measured at fair value through profit or loss – non-current (notes 6(b), (l) and (s))		-	-	-	-	38	-	10,199	-
1600 Property, plant and equipment (notes 6(f), (g), (h), (j), (k), 8 and 9)		6,547,108	48	6,067,841	52	6,007,971	47	518,153	4
1755 Right-of-use asset (notes 6(f), (g), (h), (m) and 7)		378,235	3	500,985	4	675,220	5	10,225	-
1780 Intangible assets (notes 6(f) and (i))		193,669	1	34,924	-	33,765	-	5,245,923	41
1840 Deferred tax assets		15,355	-	16,109	-	13,036	-	-	-
1915 Prepayment for equipment (note 6(g))		61,794	1	22,157	-	7,926	-	211,345	2
1920 Refundable deposits (note 6(f))		7,872	-	7,928	-	8,481	-	49,307	-
1960 Prepayment for investment (notes 7 and 9)		-	-	83,251	1	-	-	162,376	1
1980 Other financial assets – non-current (notes 6(a), (k) and 8)		2,738	-	6,202	-	-	-	34,035	-
<b>Total non-current assets</b>		<b>7,206,771</b>	<b>53</b>	<b>6,739,397</b>	<b>57</b>	<b>6,746,437</b>	<b>52</b>	<b>51,233</b>	<b>1</b>
								<b>525,907</b>	<b>4</b>
								<b>5,771,830</b>	<b>45</b>
<b>Liabilities and Equity</b>									
<b>Current liabilities:</b>									
21xx Short-term loans (notes 6(f), (g), (j), 7, 8 and 9)									
2120 Financial liabilities measured at fair value through profit or loss – current (notes 6(b), (l) and (s))									
2170 Accounts payable (note 6(f))								3,290	-
2200 Other payables (notes 6(f) and 7)								1,366,881	12
2213 Payable for machinery and equipment (note 6(f))								385,148	3
2216 Dividend payable (note 6(p))								212,591	2
2230 Current tax liabilities (note 6(f))								-	-
2280 Current lease liabilities (notes 6(f), (h), (m) and 7)								-	-
2321 Current portion of convertible bonds payable (notes 6(l) and (p))								145,310	1
2322 Current portion of long-term loans (notes 6(g), (k), 7 and 8)								17,797	-
2399 Other current liabilities (note 6(f))								422,093	4
<b>Total current liabilities</b>								<b>19,393</b>	<b>-</b>
<b>Non-current liabilities:</b>								<b>3,471,721</b>	<b>30</b>
25xx Convertible bonds payable (notes 6(l) and (p))								-	-
2530 Long-term loans (notes 6(g), (k), 7 and 8)								679,451	6
2540 Deferred tax liabilities								52,180	-
2570 Non-current lease liabilities (notes 6(f), (h), (m) and 7)								99,050	1
2612 Long-term payable								11,033	-
2670 Other non-current liabilities (notes 6(f) and (n))								49,968	-
<b>Total non-current liabilities</b>								<b>891,682</b>	<b>7</b>
<b>Total liabilities</b>								<b>4,363,403</b>	<b>37</b>
<b>Equity attributable to owners of parent (notes 6(f) and (p)):</b>									
31xx Common stock									
3110 Capital surplus								1,890,409	16
3200 Retained earnings								2,396,626	20
3410 Exchange differences on translation of foreign financial statements								2,697,167	23
<b>Total equity attributable to owners of parent</b>								<b>7,412,478</b>	<b>63</b>
36xx Non-controlling interests (note 6(f))								31,758	-
<b>Total equity</b>								<b>7,445,489</b>	<b>63</b>
<b>Total liabilities and equity</b>								<b>11,808,892</b>	<b>100</b>
<b>Total assets</b>								<b>13,704,516</b>	<b>100</b>
	\$							<b>13,704,516</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

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

**Consolidated Statements of Comprehensive Income**

**For the six months ended June 30, 2020 and 2019**

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

		For the three months ended June 30				For the six months ended June 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(f) and (r))	\$ 2,983,052	100	2,454,752	100	5,587,818	100	5,302,315	100
5000	Operating costs (notes 6(e), (g), (h), (i), (m) and (n))	2,310,584	78	1,919,231	78	4,356,091	78	4,215,670	80
5900	Gross profit from operations	672,468	22	535,521	22	1,231,727	22	1,086,645	20
6000	Operating expenses (notes 6(c), (g), (h), (i), (m), (n), (p) and 7):								
6100	Selling expenses	184,921	6	135,054	6	329,925	6	294,023	5
6200	Administrative expenses	135,844	4	131,081	5	279,541	5	260,563	5
6300	Research and development expenses	7,933	-	5,442	-	17,758	-	5,442	-
6450	Expected credit loss (reversal of expected credit loss)	730	-	(1,124)	-	(16,851)	-	(174)	-
	<b>Total operating expenses</b>	<b>329,428</b>	<b>10</b>	<b>270,453</b>	<b>11</b>	<b>610,373</b>	<b>11</b>	<b>559,854</b>	<b>10</b>
6900	Operating income	343,040	12	265,068	11	621,354	11	526,791	10
7000	Non-operating income and expenses (notes 6(b), (g), (l), (m), (s) and 7):								
7100	Interest income	582	-	1,244	-	649	-	1,889	-
7010	Other income	14,834	-	1,121	-	21,905	-	10,068	-
7020	Other gains and losses	2,554	-	12,652	1	19,548	-	30,009	1
7050	Finance costs	(9,190)	-	(16,262)	(1)	(24,875)	-	(37,333)	(1)
	<b>Total non-operating income and expenses</b>	<b>8,780</b>	<b>-</b>	<b>(1,245)</b>	<b>-</b>	<b>17,227</b>	<b>-</b>	<b>4,633</b>	<b>-</b>
7900	Profit from continuing operations before tax	351,820	12	263,823	11	638,581	11	531,424	10
7951	Less: Income tax expenses (note 6(o))	3,617	-	174	-	5,106	-	12,585	-
8200	Profit (note 6(f))	348,203	12	263,649	11	633,475	11	518,839	10
8300	Other comprehensive income:								
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	310,570	10	315,342	13	(371,205)	(6)	453,864	8
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
8300	<b>Other comprehensive income (loss)</b>	<b>310,570</b>	<b>10</b>	<b>315,342</b>	<b>13</b>	<b>(371,205)</b>	<b>(6)</b>	<b>453,864</b>	<b>8</b>
8500	<b>Total comprehensive income</b>	<b>\$ 658,773</b>	<b>22</b>	<b>578,991</b>	<b>24</b>	<b>262,270</b>	<b>5</b>	<b>972,703</b>	<b>18</b>
	<b>Profit, attributable to:</b>								
8610	Owners of parent	\$ 346,723	12	262,509	11	630,741	11	516,589	10
8620	Non-controlling interests	1,480	-	1,140	-	2,734	-	2,250	-
		<b>\$ 348,203</b>	<b>12</b>	<b>263,649</b>	<b>11</b>	<b>633,475</b>	<b>11</b>	<b>518,839</b>	<b>10</b>
	<b>Comprehensive income (loss) attributable to:</b>								
8710	Owners of parent	\$ 655,989	22	576,527	24	261,096	5	968,547	18
8720	Non-controlling interests	2,784	-	2,464	-	1,174	-	4,156	-
		<b>\$ 658,773</b>	<b>22</b>	<b>578,991</b>	<b>24</b>	<b>262,270</b>	<b>5</b>	<b>972,703</b>	<b>18</b>
	<b>Basic earnings per share (expressed in New Taiwan dollars) (note 6(q))</b>								
9750	Basic earnings per share	\$ 1.83		1.41		3.32		2.84	
9850	Diluted earnings per share	\$ 1.83		1.39		3.32		2.74	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 2020 and 2019**

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

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Retained earnings			Exchange differences on translation of foreign operation		Total equity attributable to owners of parent		
	Common stock	Capital surplus	Special reserve	Unappropriated retained earnings	Total			
<b>Balance at January 1, 2019</b>	\$ 1,702,295	1,944,448	300,256	2,031,633	2,331,889	2,661	5,981,293	6,008,895
Appropriation and distribution of retained earnings:								
Cash dividends of ordinary share	-	-	-	(465,236)	(465,236)	-	(465,236)	(465,236)
Profit	-	-	-	516,589	516,589	-	516,589	518,839
Other comprehensive income	-	-	-	-	-	451,958	451,958	453,864
Total comprehensive income	-	-	-	-	-	451,958	451,958	972,703
Conversion of convertible bonds	185,225	444,867	-	-	-	-	630,092	630,092
<b>Balance at June 30, 2019</b>	\$ 1,887,520	2,389,315	300,256	2,082,986	2,383,242	454,619	7,114,696	7,146,454
<b>Balance at January 1, 2020</b>	\$ 1,890,409	2,396,626	300,256	2,396,911	2,697,167	428,276	7,412,478	7,445,489
Appropriation and distribution of retained earnings:								
Cash dividends of ordinary share	-	-	-	(569,799)	(569,799)	-	(569,799)	(569,799)
Profit	-	-	-	630,741	630,741	-	630,741	633,475
Other comprehensive income	-	-	-	-	-	(369,645)	(369,645)	(371,205)
Total comprehensive income	-	-	-	-	-	(369,645)	(369,645)	262,270
Conversion of convertible bonds	8,971	8,886	-	630,741	630,741	-	261,096	17,857
Changes in non-controlling interests	-	-	-	-	-	-	17,857	15
<b>Balance at June 30, 2020</b>	\$ 1,899,380	2,405,512	300,256	2,457,853	2,758,109	58,631	7,121,632	7,155,832

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2020 and 2019**

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

	<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 638,581	531,424
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	366,395	362,133
Amortization expense	7,392	6,558
Expected credit loss (reversal of expected credit loss)	(16,851)	(174)
Interest expense	24,875	37,333
Interest income	(649)	(1,889)
Loss on disposal of property, plant and equipment	6,773	1,003
Gain on lease modifications	-	(8)
Impairment loss on non-financial assets	7,417	5,235
<b>Total adjustments to reconcile profit</b>	<b>395,352</b>	<b>410,191</b>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss	3,058	(39)
Notes receivable	(4,556)	-
Accounts receivable	(202,276)	445,569
Other receivables	(12,947)	3,871
Inventories	(438,269)	(862,309)
Other current assets	(12,579)	(11,224)
<b>Total changes in operating assets</b>	<b>(667,569)</b>	<b>(424,132)</b>
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss	2,023	(156)
Notes payable	(7)	-
Accounts payable	1,069,343	278,192
Other payables	94,633	90,015
Other current liabilities	(6,196)	(9,658)
Other non-current liabilities	3,299	9,224
<b>Total changes in operating liabilities</b>	<b>1,163,095</b>	<b>367,617</b>
<b>Total changes in operating assets and liabilities</b>	<b>495,526</b>	<b>(56,515)</b>
<b>Total adjustments</b>	<b>890,878</b>	<b>353,676</b>
Cash inflow generated from operations	1,529,459	885,100
Interest received	649	1,889
Interest paid	(27,405)	(35,174)
Income taxes paid	(2,697)	(11,614)
<b>Net cash flows from operating activities</b>	<b>1,500,006</b>	<b>840,201</b>
<b>Cash flows from (used in) investing activities:</b>		
Net cash flow from acquisition of subsidiaries (deduct cash acquired)	(163,942)	-
Acquisition of property, plant and equipment	(570,428)	(249,704)
Proceeds from disposal of property, plant and equipment	1,288	15
Increase (decrease) in refundable deposits	298	(344)
Acquisition of intangible assets	(3,086)	(145)
Decrease in other financial assets	3,464	-
Increase in prepayments for equipment	(135,449)	(72)
<b>Net cash flows used in investing activities</b>	<b>(867,855)</b>	<b>(250,250)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	160,056	(563,723)
Proceeds from long-term loans	422,572	250,554
Repayments of long-term loans	(423,698)	(412,835)
Payment of lease liabilities	(76,510)	(99,599)
<b>Net cash flows from (used in) financing activities</b>	<b>82,420</b>	<b>(825,603)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(140,726)</b>	<b>169,498</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>573,845</b>	<b>(66,154)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>299,901</b>	<b>410,268</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 873,746</b>	<b>344,114</b>

See accompanying notes to consolidated financial statements.



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Reviewed only, not audited in accordance with generally accepted auditing standards

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

**Notes to the Consolidated Financial Statements**

**June 30, 2020 and 2019**

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

**(1) Company history**

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

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

The consolidated financial statements were authorized for issuance by the Board of Directors on August 11, 2020.

**(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

(Continued)

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

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

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

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

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.
May 14, 2020	Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

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

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

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed and issued into by the FSC) for full annual consolidated financial statements.

**(b) Basis of consolidation**

Principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2019.

List of subsidiaries in the consolidated financial statements is as follows:

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)		
			June 30, 2020	December 31, 2019	June 30, 2019
The Company	Apex Circuit (Thailand) Co., Ltd. (Apex Circuit (Thailand))	PCB manufacturing and sales	99.58 %	99.58 %	99.58 %
The Company	Approach Excellence Trading Ltd. (incorporated in British Virgin Islands) (AET)	Supply chain integration	100.00 %	100.00 %	100.00 %
Apex Circuit (Thailand)	Shye Feng Enterprise (Thailand) Co., Ltd. (APS)	PCB manufacturing and sales	99.99 % (note 1)	- %	- %
Apex Circuit (Thailand)	Apex IPO (Dong Guan) Ltd. (APC)	Supply chain integration	100.00 % (note 2)	- %	- %
APS	Shye Feng (Singapore) Pte. Ltd. (APSS)	PCB sales development	100.00 % (note 1)	- %	- %

Note 1: On October 3, 2019, the Board of Directors approved to acquire 99.99% shares of APS whose primary business is PCB manufacturing and sales. And its subsidiary was set up in Singapore and whose primary business is developing PCB sales. For more information please refer to note 7.

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

Note 2: The Group invested in a subsidiary, APC, in China in February 2020. As of June 30, 2020, Apex Circuit (Thailand) had made a cash injection amounting to CNY2,000 thousand.

Note 3: On November 13, 2017, the Board decided to liquidate Apex Electronics (Shen Zhen) Co., Ltd., a subsidiary of the Group, due to a shift in operating strategy. All of APC's shares had been transferred back to the Group on April 4, 2019, and the liquidation process had been completed on May 6, 2019.

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

(c) Business combination

The Group has first adopted Business Combination Accounting Policy since January 1, 2020, as it took control over other company by implementing Merger & Acquisition(M&A) in the first quarter of 2020.

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all the assets acquired and all of the liabilities assumed.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.

(d) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including customer relationships, and operating procedure, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives for current and comparative periods are as follows:

1) Customer relationships	10 years
2) Operating procedure	5 years
3) Software	5 years

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

(e) Employee benefits

The pension cost in the period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year and adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(f) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management, and any resulting current and deferred tax expense should be recognized accordingly.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and be recognized directly in equity or other comprehensive income as tax expense.

(Continued)

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

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

Except for the following, the preparation of the consolidated financial statements are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2019.

**(a) Cash and cash equivalents**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Cash	\$ 6,200	277	152
Demand deposits	545,214	290,160	231,690
Checking deposits	76,154	432	413
Time deposits	246,178	9,032	111,859
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 873,746</u></u>	<u><u>299,901</u></u>	<u><u>344,114</u></u>

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Restricted bank deposit	<u><u>\$ 2,738</u></u>	<u><u>6,202</u></u>	<u><u>-</u></u>

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

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

(i) Financial assets measured at fair value

1) Current

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 412	3,458	4,328
Mandatorily measured at fair value through profit or loss:			
Derivative financial assets			
Call and put option of corporate bonds payable	-	16	-
Total	<u>\$ 412</u>	<u>3,474</u>	<u>4,328</u>

2) Non-current

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Derivative financial assets			
Call and put option of corporate bonds payable	<u>\$ -</u>	<u>-</u>	<u>38</u>

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

(ii) Financial liabilities measured at fair value

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>5,313</u>	<u>3,290</u>	<u>35</u>

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

The Group uses derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to arising from its operating, financing, and investing activities. As these derivative financial instruments did not qualify for hedge accounting, the Group held the following derivative financial instruments as held-for-trading financial assets (liabilities) as of June 30, 2020, December 31, 2019, and June 30, 2019.

Forward exchange contracts:

<u>June 30, 2020</u>				
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	<u>Fair value of assets (liabilities)</u>
Forward exchange sold	USD 4,000	USD to THB	2020.08.07 ~2020.08.07	\$ <u>412</u>
Forward exchange sold	USD 1,000	USD to THB	2020.07.10 ~2020.07.10	\$ <u>(650)</u>
Forward exchange purchased	USD 12,000	NTD to USD	2020.07.13 ~2021.01.04	\$ <u>(4,663)</u>

  

<u>December 31, 2019</u>				
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	<u>Fair value of assets (liabilities)</u>
Forward exchange sold	USD 7,000	USD to THB	2020.1.27 ~2020.6.11	\$ <u>3,458</u>
Forward exchange purchased	USD 6,000	NTD to USD	2020.1.15 ~2020.6.17	\$ <u>(3,290)</u>

(Continued)



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

<b>June 30, 2019</b>				<b>Fair value of assets (liabilities)</b>
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>	
Forward exchange sold	USD 6,000	USD to THB	2019.7.17 ~2019.12.30	\$ <u><u>4,328</u></u>
Forward exchange sold	USD 1,000	USD to THB	2019.12.30	\$ <u><u>(35)</u></u>

Please refer to note 6(1) for financial assets measured at fair value through profit or loss components from issuing unsecured convertible bonds.

(c) Accounts receivable

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Notes receivable	\$ 4,959	-	-
Accounts receivable	3,200,324	2,892,485	3,200,649
Less: loss allowance	<u>(3,280)</u>	<u>(21,041)</u>	<u>(2,055)</u>
	<u><u>\$ 3,202,003</u></u>	<u><u>2,871,444</u></u>	<u><u>3,198,594</u></u>

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

The Group's analyses of the expected credit loss on its accounts receivable in the regions of Taiwan and Mainland China as of June 30, 2020, December 31, 2019, and June 30, 2019 were as follows:

	<b>June 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 431,770	-	-
Past due 1~30 days	66,978	-	-
Past due 31~60 days	16,762	-	-
Past due 61~90 days	3,857	-	-
Past due 91~120 days	270	20.37	55
Past due 121~180 days	433	48.27	209
Over 180 days	<u>5</u>	100.00	<u>5</u>
	<u><u>\$ 520,075</u></u>		<u><u>269</u></u>

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

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

  

<b>June 30, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 218,491	0.01	29
Past due 1~30 days	53,021	0.06	32
Past due 31~60 days	3,201	0.27	9
	<u><b>\$ 274,713</b></u>		<u><b>70</b></u>

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

<b>June 30, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 312,194	-	-
Past due 1~30 days	10,295	-	-
Past due 31~60 days	4,060	-	-
	<u><b>\$ 326,549</b></u>		<u><b>-</b></u>

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

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

As of December 31, 2019, the accounts receivable above does not contain all the amounts that the Group has for a certain client. As the uncertainty of receiving such accounts receivable, the Group has fully recognized loss allowance of the total amount. Therefore, it is not included into expected credit loss calculation, and the total amount is \$19,046 thousand. All the accounts receivable mentioned above has been received in January 2020, therefore, the Group reversed those loss allowance.

	<b>June 30, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 280,732	-	-
Past due 1~30 days	67,281	-	-
Past due 31~60 days	45,934	-	-
Over 180 days	1	100.00	1
	<b>\$ 393,948</b>		<b>1</b>

The Group's analyses of the expected credit loss on its accounts receivable in the region of India were as follows:

	<b>June 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Over 180 days	\$ 1,960	100.00	1,960

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

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

<b>June 30, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 1,424,846	0.01	163
Past due 1~30 days	228,647	0.08	179
Past due 31~60 days	2,748	12.99	357
Past due 61~90 days	121	46.28	56
Past due 91~120 days	51	39.22	20
Past due 121~180 days	296	48.31	143
	<u><b>\$ 1,656,709</b></u>		<u><b>918</b></u>
<b>December 31, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 1,156,587	-	-
Past due 1~30 days	257,752	-	-
Past due 31~60 days	7,982	-	-
Past due 61~90 days	2,263	-	-
	<u><b>\$ 1,424,584</b></u>		<u><b>-</b></u>
<b>June 30, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 1,188,204	-	-
Past due 1~30 days	202,993	-	-
Past due 31~60 days	19,126	-	-
Over 180 days	1,984	100.00	1,984
	<u><b>\$ 1,412,307</b></u>		<u><b>1,984</b></u>

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

<b>June 30, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 639,919	0.01	33
Past due 1~30 days	28,950	0.04	13
Past due 31~60 days	9,172	0.06	6
Past due 61~90 days	2,167	0.07	1
Past due 91~120 days	4,029	0.13	5
Past due 121~180 days	15,753	0.47	75
	<b>\$ 699,990</b>		<b>133</b>
<b>December 31, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 632,795	-	-
Past due 1~30 days	72,632	-	-
Past due 31~60 days	53,532	-	-
Past due 61~90 days	11,772	-	-
Past due 91~120 days	1,163	-	-
Past due 121~180 days	1,372	-	-
	<b>\$ 773,266</b>		<b>-</b>

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

	<b>June 30, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 1,015,684	-	-
Past due 1~30 days	97,099	-	-
Past due 31~60 days	6,898	-	-
	<b>\$ 1,119,681</b>		<b>-</b>

The movements in the allowance of accounts receivable were as follows:

	<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at the beginning	\$ 21,041	2,096
Acquisition	318	-
Impairment losses reversed	(16,851)	(174)
Foreign exchange losses (gains)	(1,228)	133
Balance at the ending	<b>\$ 3,280</b>	<b>2,055</b>

(d) Other receivables

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Other receivables	\$ 48,673	35,726	37,484
Less: Loss allowance	-	-	-
	<b>\$ 48,673</b>	<b>35,726</b>	<b>37,484</b>

The Group does not have any past due other receivables as of June 30, 2020, December 31, 2019, and June 30, 2019.

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

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

(e) Inventories

	<b>June 30, 2020</b>		
	<b>Cost</b>	<b>Allowance for loss</b>	<b>Net realizable value</b>
Raw materials	\$ 822,600	(44,916)	777,684
Work in process	392,841	(9,203)	383,638
Finished goods	544,215	(11,683)	532,532
Supplies and spare parts	591,453	(71,260)	520,193
Goods in transit	86,271	-	86,271
Merchandise inventory	1,603	-	1,603
Total	<u>\$ 2,438,983</u>	<u>(137,062)</u>	<u>2,301,921</u>

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

	<b>June 30, 2019</b>		
	<b>Cost</b>	<b>Allowance for loss</b>	<b>Net realizable value</b>
Raw materials	\$ 862,723	(53,801)	808,922
Work in process	338,702	(1,377)	337,325
Finished goods	863,973	(15,279)	848,694
Supplies and spare parts	451,197	(42,727)	408,470
Goods in transit	108,444	-	108,444
Merchandise inventory	2,817	-	2,817
Total	<u>\$ 2,627,856</u>	<u>(113,184)</u>	<u>2,514,672</u>

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

For the six months ended June 30, 2020 and 2019, in addition to the normal cost of goods sold, the following loss and revenue were included in the Group's operating costs:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Loss on market price decline and obsolete and slow-moving inventories (gain from price recovery of inventory)	\$ 3,991	(17,005)	(801)	(104)
Revenue from sale of scrap	(63,333)	(86,349)	(118,318)	(170,392)
Loss on inventory obsolescence	<u>91,352</u>	<u>93,457</u>	<u>154,606</u>	<u>158,989</u>
	<u><b>\$ 32,010</b></u>	<u><b>(9,897)</b></u>	<u><b>35,487</b></u>	<u><b>(11,507)</b></u>

As of June 30, 2020, December 31, 2019, and June 30, 2019, the Group did not pledge its inventory as collateral.

(f) Business combination

On October 3, 2019, the Company's Board of Directors resolved to acquire shares of APS in order to diversify its production line. The acquisition will be completed in January 2020, with a purchase amount not exceeding 281,000 thousand Baht. The Group has obtained the control of APS by acquiring 99.99% shares of APS in January 2020.

Taking control of APS will enable the Group to diversify its products through access to APS's capacity and operating procedures. Besides, the acquisition is expected to increase the Group's market of the PCB through access to the acquiree's existing customer relationship. The Group also expects to reduce costs through economies of scale.

From the acquisition date to June 30, 2020, operating revenue and net loss of APS are \$281,182 thousand and \$791 thousand, respectively.

The Group incurred acquisition-related costs of \$3,228 thousand on legal fees and due diligence costs. These costs have been accounted as administrative expenses which are included in the statement of comprehensive income for the year ended December 31, 2019.

Consideration transferred, assets and liabilities acquired, and goodwill recognized are as follows:

- (i) The fair value of APS on the acquisition date is \$277,485 thousand and the price is paid in cash. The Group has paid \$83,251 thousand in 2019 for this acquisition and the residual amount of \$194,234 thousand was paid in 2020.

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

(ii) Identifiable assets and liabilities acquired

The following table summarizes the acquisition-date fair value of identifiable assets and liabilities assumed.

Cash and cash equivalents	\$ 30,292
Notes receivable	403
Accounts receivable (deduct allowance for uncollectible accounts \$318 thousand)	106,473
Inventories	62,746
Other current assets	367
Property, plant and equipment (note 6(g))	151,402
Right-of-use asset (note 6(h))	286
Intangible assets (note 6(i))	46,797
Refundable deposits	242
Short-term loans	(132,192)
Notes payable	(7)
Accounts payable	(80,841)
Other payables	(9,926)
Payable for machinery and equipment	(4,255)
Current tax liabilities	(2,731)
Other current liabilities	(1,717)
Lease liabilities	(169)
Other non-current liabilities	(15,985)
Total identifiable net assets acquired	<u><u>\$ 151,185</u></u>

(iii) Goodwill

Consideration transferred	\$ 277,485
Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)	15
Less: Fair value of identifiable net assets	(151,185)
Goodwill	<u><u>\$ 126,315</u></u>

The goodwill is attributable mainly to the skills and technical talent of company APS's work force and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognized is expected to be deductible for tax purposes.

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

(g) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the six months ended June 30, 2020 and 2019, were as follows:

		Land	Land improvement	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leased equipment	Leasehold improvement	Unfinished construction and equipment undergoing acceptance testing	Total
Cost:											
Balance at January 1, 2020	\$	351,537	8,335	2,297,849	7,767,265	12,912	464,785	-	10,902	204,952	11,118,537
Obtained from acquisition		38,489	-	65,250	39,118	2,391	1,275	-	-	4,879	151,402
Additions		96,477	203	36,777	280,744	6	18,566	-	2,793	363,281	798,847
Disposals		-	-	-	(265,408)	-	(1,302)	-	-	-	(266,710)
Reclassification (notes 2 and 3)		-	-	25,408	245,873	-	2	-	-	(81,203)	190,080
Translation effect		(17,646)	(399)	(116,203)	(385,958)	(1,007)	(22,221)	-	(416)	(6,776)	(550,626)
Balance at June 30, 2020	\$	<u>468,857</u>	<u>8,139</u>	<u>2,309,081</u>	<u>7,681,634</u>	<u>14,302</u>	<u>461,105</u>	<u>-</u>	<u>13,279</u>	<u>485,133</u>	<u>11,441,530</u>
Balance at January 1, 2019	\$	330,635	7,744	2,107,327	6,935,908	10,342	405,227	636,559	12,551	80,034	10,526,327
Additions		-	98	16,349	79,391	-	25,701	-	-	100,413	221,952
Disposals		-	-	-	(13,556)	-	(7,364)	-	(2,265)	-	(23,185)
Reclassification (note 1)		-	-	647	60,214	1,802	-	(636,559)	-	(60,861)	(634,757)
Translation effect		21,913	517	140,217	463,807	805	27,346	-	643	6,605	661,853
Balance at June 30, 2019	\$	<u>352,548</u>	<u>8,359</u>	<u>2,264,540</u>	<u>7,525,764</u>	<u>12,949</u>	<u>450,910</u>	<u>-</u>	<u>10,929</u>	<u>126,191</u>	<u>10,752,190</u>
Accumulated depreciation and impairment losses:											
Balance at January 1, 2020	\$	-	4,231	826,368	3,921,969	10,384	278,836	-	8,908	-	5,050,696
Depreciation		-	410	63,157	241,091	1,588	22,032	-	1,048	-	329,326
Impairment loss		-	-	-	7,417	-	-	-	-	-	7,417
Disposals		-	-	-	(257,468)	-	(1,181)	-	-	-	(258,649)
Reclassification		-	-	-	24,050	-	(2)	-	-	-	24,048
Translation effect		-	(199)	(42,180)	(201,782)	(751)	(13,168)	-	(336)	-	(258,416)
Balance at June 30, 2020	\$	<u>-</u>	<u>4,442</u>	<u>847,345</u>	<u>3,735,277</u>	<u>11,221</u>	<u>286,517</u>	<u>-</u>	<u>9,620</u>	<u>-</u>	<u>4,894,422</u>
Balance at January 1, 2019	\$	-	3,171	663,123	3,247,956	7,777	228,636	106,791	8,743	-	4,266,197
Depreciation		-	414	58,241	233,701	561	21,549	-	1,025	-	315,491
Impairment loss		-	-	-	5,235	-	-	-	-	-	5,235
Disposals		-	-	-	(12,976)	-	(6,926)	-	(2,265)	-	(22,167)
Reclassification (note 1)		-	-	-	-	931	-	(106,791)	-	-	(105,860)
Translation effect		-	224	45,862	222,679	595	15,537	-	426	-	285,323
Balance at June 30, 2019	\$	<u>-</u>	<u>3,809</u>	<u>767,226</u>	<u>3,696,595</u>	<u>9,864</u>	<u>258,796</u>	<u>-</u>	<u>7,929</u>	<u>-</u>	<u>4,744,219</u>
Carrying amount:											
Balance at January 1, 2020	\$	<u>351,537</u>	<u>4,104</u>	<u>1,471,481</u>	<u>3,845,296</u>	<u>2,528</u>	<u>185,949</u>	<u>-</u>	<u>1,994</u>	<u>204,952</u>	<u>6,067,841</u>
Balance at June 30, 2020	\$	<u>468,857</u>	<u>3,697</u>	<u>1,461,736</u>	<u>3,946,357</u>	<u>3,081</u>	<u>174,588</u>	<u>-</u>	<u>3,659</u>	<u>485,133</u>	<u>6,547,108</u>
Balance at June 30, 2019	\$	<u>352,548</u>	<u>4,550</u>	<u>1,497,314</u>	<u>3,829,169</u>	<u>3,085</u>	<u>192,114</u>	<u>-</u>	<u>3,000</u>	<u>126,191</u>	<u>6,007,971</u>

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

2. The cost of \$95,389 thousand was transferred from prepayment for machinery and equipment.

3. The cost and accumulated depreciation of \$94,691 thousand and \$24,048 thousand, were reclassified from right-of-use assets.

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

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Impairment loss	<u>\$ 4,229</u>	<u>2,299</u>	<u>7,417</u>	<u>5,235</u>

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

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

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

(h) Right-of-use assets

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

	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Total</b>
Cost:					
Balance at January 1, 2020	\$ 107,596	526,283	26,546	-	660,425
Obtained from acquisition	-	-	286	-	286
Additions	1,823	6,414	1,190	242	9,669
Reclassification	-	(94,691)	-	-	(94,691)
Translation effect	(4,736)	(26,388)	(1,291)	3	(32,412)
Balance at June 30, 2020	<u>\$ 104,683</u>	<u>411,618</u>	<u>26,731</u>	<u>245</u>	<u>543,277</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	102,481	655,659	23,795	-	781,935
Balance at January 1, 2019 after restatement	102,481	655,659	23,795	-	781,935
Additions	-	4,246	1,864	-	6,110
Disposals	(1,440)	-	-	-	(1,440)
Reclassification	-	-	(1,802)	-	(1,802)
Translation effect	6,160	43,593	1,518	-	51,271
Balance at June 30, 2019	<u>\$ 107,201</u>	<u>703,498</u>	<u>25,375</u>	<u>-</u>	<u>836,074</u>

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

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ 27,261	121,793	10,386	-	159,440
Disposals	13,276	18,767	4,996	30	37,069
Reclassification	-	(24,048)	-	-	(24,048)
Translation effect	(1,039)	(5,928)	(453)	1	(7,419)
Balance at June 30, 2020	<u>\$ 39,498</u>	<u>110,584</u>	<u>14,929</u>	<u>31</u>	<u>165,042</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	-	105,860	931	-	106,791
Balance at January 1, 2019	-	105,860	931	-	106,791
Depreciation	13,379	28,416	4,863	-	46,658
Disposals	(161)	-	-	-	(161)
Reclassification	-	-	(931)	-	(931)
Translation effect	388	7,950	159	-	8,497
Balance at June 30, 2019	<u>\$ 13,606</u>	<u>142,226</u>	<u>5,022</u>	<u>-</u>	<u>160,854</u>
Carrying amount:					
Balance at January 1, 2020	<u>\$ 80,335</u>	<u>404,490</u>	<u>16,160</u>	<u>-</u>	<u>500,985</u>
Balance at June 30, 2020	<u>\$ 65,185</u>	<u>301,034</u>	<u>11,802</u>	<u>214</u>	<u>378,235</u>
Balance at June 30, 2019	<u>\$ 93,595</u>	<u>561,272</u>	<u>20,353</u>	<u>-</u>	<u>675,220</u>

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

(i) Intangible assets

	<u>Goodwill</u>	<u>Operating procedure</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
Costs:					
Balance at January 1, 2020	\$ -	-	-	111,021	111,021
Obtained from acquisition	126,315	3,298	43,240	259	173,112
Addition	-	-	-	3,086	3,086
Translation effect	(6,084)	(159)	(2,082)	(5,307)	(13,632)
Balance at June 30, 2020	<u>\$ 120,231</u>	<u>3,139</u>	<u>41,158</u>	<u>109,059</u>	<u>273,587</u>
Balance at January 1, 2019	\$ -	-	-	98,441	98,441
Additions	-	-	-	145	145
Translation effect	-	-	-	6,493	6,493
Balance at June 30, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>105,079</u>	<u>105,079</u>

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

	<u>Goodwill</u>	<u>Operating procedure</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
Amortization and impairment loss:					
Balance at January 1, 2020	\$ -	-	-	76,097	76,097
Amortization	-	310	2,034	5,048	7,392
Translation effect	-	4	24	(3,599)	(3,571)
Balance at June 30, 2020	<u>\$ -</u>	<u>314</u>	<u>2,058</u>	<u>77,546</u>	<u>79,918</u>
Balance at January 1, 2019	\$ -	-	-	60,562	60,562
Amortization	-	-	-	6,558	6,558
Translation effect	-	-	-	4,194	4,194
Balance at June 30, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>71,314</u>	<u>71,314</u>
Carrying amount:					
Balance at January 1, 2020	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>34,924</u>	<u>34,924</u>
Balance at June 30, 2020	<u>\$ 120,231</u>	<u>2,825</u>	<u>39,100</u>	<u>31,513</u>	<u>193,669</u>
Balance at June 30, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>33,765</u>	<u>33,765</u>

(j) Short-term loans

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unsecured loans	\$ 1,016,155	899,218	790,227
Secured loans	127,525	-	-
Total	<u>\$ 1,143,680</u>	<u>899,218</u>	<u>790,227</u>
Unused credit line	<u>\$ 4,093,743</u>	<u>4,602,994</u>	<u>4,519,572</u>
Interest rate (%)	<u>0.56~4.09</u>	<u>1.35~2.60</u>	<u>1.82~3.00</u>

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

(k) Long-term loans

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Secured loans	\$ 711,643	465,045	403,849
Unsecured loans	356,090	639,933	325,649
Less: deferred financing fee	(2,790)	(3,434)	-
Less: current portion	(137,436)	(422,093)	(518,153)
Total	<u>\$ 927,507</u>	<u>679,451</u>	<u>211,345</u>
Unused credit line	<u>\$ 1,161,212</u>	<u>1,525,185</u>	<u>824,962</u>
Interest rate (%)	<u>1.08~5.25</u>	<u>2.58~6.00</u>	<u>3.40~6.25</u>
Contract period	<u>2020.9~2023.12</u>	<u>2020.3~2023.12</u>	<u>2021.5~2022.11</u>

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

(i) Collateral for loans

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

(ii) Loan contract

For the six months ended June 30, 2020 and 2019, agreements between the Group and bank do not have significant change. Please refer to note 6(j) of 2019 consolidated financial statements for more information.

(l) Corporate bonds payable

	<b>June 30, 2020</b>		
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Total amount of convertible bonds	\$ -	600,000	600,000
Less: Discount on issuing convertible bonds	-	29,760	29,760
Underwriting expense	-	6,681	6,681
Discounted present value of bonds payable when issued	-	563,559	563,559
Amortization of discount on bonds payable	-	5,562	5,562
Reversal of discount on bonds payable conversion	-	30,879	30,879
Less: Accumulated converted amount	-	600,000	600,000
Ending balance of bonds payable	<u>\$ -</u>	<u>-</u>	<u>-</u>

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

<b>December 31, 2019</b>			
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Total amount of convertible bonds	\$ 650,000	600,000	1,250,000
Less: Discount on issuing convertible bonds	64,350	29,760	94,110
Underwriting expense	4,027	6,681	10,708
Discounted present value of bonds payable when issued	581,623	563,559	1,145,182
Amortization of discount on bonds payable	61,392	5,498	66,890
Reversal of discount on bonds payable conversion	6,985	30,440	37,425
Less: Accumulated converted amount	650,000	581,700	1,231,700
Ending balance of bonds payable	<u>\$ -</u>	<u>17,797</u>	<u>17,797</u>
<b>June 30, 2019</b>			
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Total amount of convertible bonds	\$ 650,000	600,000	1,250,000
Less: Discount on issuing convertible bonds	64,350	29,760	94,110
Underwriting expense	4,027	6,681	10,708
Discounted present value of bonds payable when issued	581,623	563,559	1,145,182
Amortization of discount on bonds payable	61,391	5,312	66,703
Reversal of discount on bonds payable conversion	6,985	30,440	37,425
Less: Accumulated converted amount	639,800	581,700	1,221,500
Ending balance of bonds payable	<u>\$ 10,199</u>	<u>17,611</u>	<u>27,810</u>

For the six months ended June 30, 2020 and 2019, the Group did not issue or buyback convertible bonds. Please refer to note 6(k) of 2019 consolidate financial statements for information. Please refer to note 6(p) for more information on the Group's conversion of convertible bonds into common stock for the six months ended June 30, 2020 and 2019.

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

The second unsecured convertible bonds were expired on July 21, 2019, and it was fully converted into the Group's common share.

The third convertible bonds of the Group were fully converted as of June 30, 2020.

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

- (i) Financial assets measured at fair value through profit or loss were as follows:

	<b>June 30, 2020</b>		
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Beginning balance	\$ -	16	16
Valuation loss	-	(12)	(12)
Conversion	-	(4)	(4)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>
	<b>December 31, 2019</b>		
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Beginning balance	\$ -	170	170
Valuation gain (loss)	146	(56)	90
Conversion	(146)	(98)	(244)
Ending balance	<u>\$ -</u>	<u>16</u>	<u>16</u>
	<b>June 30, 2019</b>		
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Beginning balance	\$ -	170	170
Valuation gain (loss)	146	(34)	112
Conversion	(146)	(98)	(244)
Ending balance	<u>\$ -</u>	<u>38</u>	<u>38</u>

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

- (ii) The balances of the equity component recorded as capital surplus— stock warrants were as follows:

	<b>June 30, 2020</b>		
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Beginning balance	\$ -	839	839
Less: conversion	-	839	839
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>

  

	<b>December 31, 2019</b>		
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Beginning balance	\$ 60,057	2,166	62,223
Less: conversion	60,057	1,327	61,384
Ending balance	<u>\$ -</u>	<u>839</u>	<u>839</u>

  

	<b>June 30, 2019</b>		
	<b>Second unsecured convertible bond</b>	<b>Third unsecured convertible bond</b>	<b>Total</b>
Beginning balance	\$ 60,057	2,166	62,223
Less: conversion	59,063	1,327	60,390
Ending balance	<u>\$ 994</u>	<u>839</u>	<u>1,833</u>

The third unsecured convertible bondholders are entitled to exercise the put option and request the Group to pay the full amount at the agreed price beginning from two years after the issuance date (May 7, 2020). Based on conservatism, the Group reclassified financial liabilities measured at fair value through profit and loss— non-current to current liabilities on December 31, 2019, but it is not required to fully repay within one year.

- (m) Lease liabilities

The amounts of leased liability were as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Current	<u>\$ 108,645</u>	<u>145,310</u>	<u>184,531</u>
Non-current	<u>\$ 56,789</u>	<u>99,050</u>	<u>162,376</u>

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

The increase in lease liabilities for the six months ended June 30, 2020 was \$9,669 thousand, with an interest rate of 2.68%~4.82%. The lease liabilities are due from March 2021 to May 2024.

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ <u>1,969</u>	<u>3,942</u>	<u>4,357</u>	<u>8,330</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>-</u>	<u>747</u>	<u>194</u>	<u>1,434</u>
Expenses relating to short-term leases	\$ <u>692</u>	<u>1,504</u>	<u>1,186</u>	<u>3,135</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>4</u>	<u>13</u>	<u>28</u>	<u>26</u>

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

	<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Total cash outflow from operating activities	\$ 5,765	12,925
Total cash outflow from investing activities	76,510	99,599
Total cash outflow for leases	\$ <u>82,275</u>	<u>112,524</u>

(i) Real estate leases

As of June 30, 2020 and 2019, the Group leases buildings for its office space and warehouse. The leases of warehouse typically run for a period of 2 to 6 years, and of office for 1 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

As of June 30, 2020 and 2019, the Group leases office equipment and vehicles with lease terms of 1 to 4 years. Some of these leases are considered as short-term leases or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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

(n) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant curtailments, settlements, or other one-time events in the prior fiscal year, pension cost in the interim financial statements is measured and disclosed in accordance with the pension cost determined by the actuarial report issued for the years ended December 31, 2019 and 2018.

The Group's expenses recognized in profit or loss, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Operating costs	\$ 1,423	1,455	2,885	2,966
Operating expenses	1,395	978	2,828	1,872
	<u>\$ 2,818</u>	<u>2,433</u>	<u>5,713</u>	<u>4,838</u>

(ii) Defined contribution plans

Pension costs paid by the Group to the Bureau of Labor Insurance based on the defined contribution plans were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Operating expenses	\$ 238	207	462	414

(iii) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$6,111 thousand, \$4,823 thousand and \$5,622 thousand as of June 30, 2020, December 31, 2019, and June 30, 2019, respectively.

(o) Income taxes

The amounts of income tax for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Current tax expense				
Current period	\$ 3,617	103	5,106	210
Adjustment for prior periods	-	71	-	12,375
Income tax expenses	<u>\$ 3,617</u>	<u>174</u>	<u>5,106</u>	<u>12,585</u>

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**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
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The Company and AET are not required to pay income tax in the country in which they are incorporated, so there is no need to file an income tax return.

In Thailand and Singapore, where APT, APS and APSS operate, income taxes do not require approval by the tax authority. Income taxes paid in prior years have received income tax receipts up to 2018. The income tax return of AET and the Company's Taiwan Branch had been approved by the Revenue department through 2018. APC was established in China in February 2020, so it has not yet filed any income tax return.

(p) Share capital and other equity

Except for the following, there were no significant changes in the Group's share capital and other equity for the six months ended June 30, 2020 and 2019. Please refer to note 6(q) to the 2019 consolidated financial statements for related information.

As of June 30, 2020, December 31, 2019, and June 30, 2019, the total value of authorized common stock is \$3,000,000 thousand. Par value of each share is \$10 (dollars), and in total, there are 300,000 thousand authorized common shares.

Reconciliation of shares outstanding for the six months ended June 30, 2020 and 2019, was as follows:

	Unit: Thousand shares	
	<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	189,041	170,230
Conversion of convertible bonds	897	18,522
Balance at June 30	<b><u>189,938</u></b>	<b><u>188,752</u></b>

(i) Issuance of common stock

In the six months ended June 30, 2020, the third convertible bondholders converted bonds into common stock, and of which 897 thousand shares were converted at par value, amounting to \$8,971 thousand. Registration processes in relation to the bond conversion have been completed.

In the six months ended June 30, 2019, second and third convertible bondholders converted bonds into common stocks, and of which 17,178 thousand shares and 1,344 thousand shares were converted at par value, amounting to \$171,784 thousand and \$13,441 thousand, respectively, in total of \$185,225 thousand. Registration processes in relation to the bond conversion have been completed.

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Premium on capital stock	\$ 2,378,112	2,368,387	2,360,082
Donation by shareholders	27,067	27,067	27,067
Issuance of convertible bonds -- stock warrant	-	839	1,833
Gain or loss on entity's disposition of equity of the subsidiary	333	333	333
	<u>\$ 2,405,512</u>	<u>2,396,626</u>	<u>2,389,315</u>

(iii) Distribution of earnings

According to the Articles of Association, if the Company is profitable during the given accounting year, then the Company is allowed to set aside a maximum amount of 2% of its net profit as remuneration to employees, directors, and supervisors. However, when experiencing a cumulative loss, the Company shall first appropriate a reserve amount to offset the cumulative loss. The Company's estimated remuneration for employees, directors and supervisors for the six months ended June 30, 2020 and 2019 was \$0 thousand and \$360 thousand, respectively. Should there be difference between the actual distribution amount that was resolved by shareholders' meeting and the estimated amount, it will be regarded as changes in accounting estimates and errors, and it will be adjusted in the Company's profit or loss for the given year.

On June 5, 2020, the shareholders' meeting resolved to distribute remuneration for employee, directors and supervisors of \$0 thousand and \$720 thousand in accordance to the Company's estimated amount in 2019. Additional relevant information is available on the Market Observation Post System website.

On June 5, 2020 and On June 5, 2019, the shareholder's meetings resolved to appropriate the 2019 and 2018 earnings. These earnings were appropriated as follows:

	<u>2019</u>	<u>2018</u>
Dividends distributed to ordinary shareholders		
Cash	\$ <u>569,799</u>	<u>465,236</u>

The above distribution, which have not been appropriated as of June 30, 2020, were recognized as dividend payable. The related information about the earnings distributions that were approved by the Company's Board of Directors and were resolved during the shareholder's meeting in 2019 and 2018 is available on the Market Observation Post System website.

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

(q) Earnings per share

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

	For the three months ended June 30		Unit: Thousand shares For the six months ended June 30	
	2020	2019	2020	2019
Basic EPS:				
Net income	\$ 346,723	262,509	630,741	516,589
Weighted-average number of common shares outstanding	189,934	185,711	189,698	181,929
Basic EPS (New Taiwan Dollars)	\$ 1.83	1.41	3.32	2.84
Diluted EPS:				
Net income	\$ 346,723	262,509	630,741	516,589
Influence of dilutive expenses	-	1,016	76	3,439
Net income for calculating diluted EPS	\$ 346,723	263,525	630,817	520,028
Weighted-average number of common shares outstanding	189,934	185,711	189,698	181,929
Conversion of convertible bonds	4	4,181	240	7,963
Weighted-average number of common shares outstanding -- diluted	189,938	189,892	189,938	189,892
Diluted EPS (New Taiwan Dollars)	\$ 1.83	1.39	3.32	2.74

(r) Revenues from contracts with customers

(i) Disaggregation of revenue

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Primary geographical markets:				
Thailand	\$ 544,256	439,473	1,063,567	912,631
Samoa	265,878	539,172	414,076	1,029,189
Singapore	436,132	390,162	1,023,205	821,331
Korea	352,896	161,426	718,865	474,989
Vietnam	413,107	-	652,761	-
Other	970,783	924,519	1,715,344	2,064,175
	\$ 2,983,052	2,454,752	5,587,818	5,302,315

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**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
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	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Main product/service line				
Single-layer PCB sales	\$ 139,753	-	282,016	-
Double-layer PCB sales	637,294	423,694	1,184,156	955,214
Multi-layer PCB sales	2,211,202	2,025,540	4,127,620	4,331,883
Other	2,407	6,098	7,475	15,608
Less: sales allowance	(7,604)	(580)	(13,449)	(390)
	<u>\$ 2,983,052</u>	<u>2,454,752</u>	<u>5,587,818</u>	<u>5,302,315</u>

(ii) Remaining balances of contract

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 4,959	-	-
Accounts receivable	3,200,324	2,892,485	3,200,649
Less: loss allowance	(3,280)	(21,041)	(2,055)
Total	<u>\$ 3,202,003</u>	<u>2,871,444</u>	<u>3,198,594</u>

(s) Non-operating income and expenses

(i) Interest income

The details of interest income are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Interest income	<u>\$ 582</u>	<u>1,244</u>	<u>649</u>	<u>1,889</u>

(ii) Other income

The details of other income are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Income from cancellation of orders	\$ 5,024	(1,449)	9,250	4,019
Others	9,810	2,570	12,655	6,049
	<u>\$ 14,834</u>	<u>1,121</u>	<u>21,905</u>	<u>10,068</u>

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

(iii) Other gains and losses

The details of other gains and losses are as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Loss on disposal of property, plant and equipment	\$ (6,561)	(686)	(6,773)	(1,003)
Foreign exchange gain (loss), net	(2,620)	16,621	38,767	37,720
Valuation gain (loss) on financial assets (liabilities), net	15,978	411	(5,015)	(78)
Impairment loss	(4,229)	(2,299)	(7,417)	(5,235)
Loss on disposal of investment	-	(1,403)	-	(1,403)
Gain on lease modifications	-	8	-	8
Other	(14)	-	(14)	-
	<u><u>\$ 2,554</u></u>	<u><u>12,652</u></u>	<u><u>19,548</u></u>	<u><u>30,009</u></u>

(iv) Finance cost

The details of finance cost are as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest expense on loans from banks	\$ 8,797	11,513	22,719	25,750
Interest expense on lease liabilities	1,969	3,942	4,357	8,330
Less: interest expense capitalized	(1,577)	(155)	(2,265)	(298)
Amortization of discount on bonds payable	1	962	64	3,551
	<u><u>\$ 9,190</u></u>	<u><u>16,262</u></u>	<u><u>24,875</u></u>	<u><u>37,333</u></u>

(t) Financial instruments

Except for the following, there were no significant changes in the credit risk and interest rate risk the Group was exposed to. Please refer to note 6(u) to the 2019 consolidated financial statements for related information.

(i) Credit risk

1) Risk exposure

The book value of financial assets represents the maximum risk exposure.

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**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
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2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. The Group's accounts receivable are obviously concentrated on three main customers, which accounted for 37%, 40% and 49% of the total amount of notes and accounts receivable as of June 30, 2020, December 31, 2019, and June 30, 2019, respectively. As of June 30, 2020, December 31, 2019, and June 30, 2019, the Group's accounts receivable concentrated on three main customers were \$1,170,525 thousand, \$1,140,802 thousand and \$1,564,708 thousand, respectively.

3) Credit risk of accounts receivable

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
<b>June 30, 2020</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 836,378	854,686	330,844	113,048	410,794
Unsecured bank loans	1,372,245	1,379,795	1,022,483	357,312	-
Lease liabilities	165,434	172,499	113,457	38,395	20,647
Notes and accounts payable	2,517,065	2,517,065	2,517,065	-	-
Other payables (including payables on equipment)	834,970	834,970	834,970	-	-
Dividends payable	569,799	569,799	569,799	-	-
Long-term payable	108,611	108,611	-	74,013	34,598
Derivative financial liabilities					
Other forward contract—					
Outflow	5,313	5,313	5,313	-	-
	<u>\$ 6,409,815</u>	<u>6,442,738</u>	<u>5,393,931</u>	<u>582,768</u>	<u>466,039</u>

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**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 465,045	485,818	224,187	120,184	141,447
Unsecured bank loans	1,535,717	1,575,499	1,128,841	21,438	425,220
Finance lease liabilities	244,360	255,774	152,807	69,781	33,186
Convertible bonds payable (including derivative financial assets)	17,781	18,300	18,300	-	-
Accounts payable	1,366,881	1,366,881	1,366,881	-	-
Other payables (including payables on equipment)	507,706	507,706	507,706	-	-
Long-term payable	11,033	11,033	-	11,033	-
Derivative financial liabilities					
Other forward contract —					
Inflow	3,290	3,290	3,290	-	-
	<u>\$ 4,151,813</u>	<u>4,224,301</u>	<u>3,402,012</u>	<u>222,436</u>	<u>599,853</u>
<b>June 30, 2019</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 403,849	424,463	268,420	84,086	71,957
Unsecured bank loans	1,115,876	1,127,279	1,127,279	-	-
Lease liabilities	346,907	364,586	195,447	146,033	23,106
Convertible bonds payable (including derivative financial assets)	27,772	28,500	10,200	18,300	-
Accounts payable	2,561,808	2,561,808	2,561,808	-	-
Dividend payables	540,075	540,075	540,075	-	-
Other payables (including payables on equipment)	465,236	465,236	465,236	-	-
Long-term payable	34,035	34,035	-	34,035	-
Derivative financial liabilities					
Other forward contract —					
Inflow	35	35	35	-	-
	<u>\$ 5,495,593</u>	<u>5,546,017</u>	<u>5,168,500</u>	<u>282,454</u>	<u>95,063</u>

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

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

1) Currency risk exposure

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

	June 30, 2020			December 31, 2019			June 30, 2019			
	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount	
Financial assets										
Monetary items										
USD	\$	112,320	29.51	3,315,107	82,119	30.25	2,483,899	90,022	30.95	2,785,848
Financial liabilities										
Monetary items										
USD		109,000	29.80	3,248,397	73,961	30.51	2,256,585	81,078	31.28	2,536,187

2) Sensitivity analysis

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

A 5% strengthening of the NTD and THB against the USD as at June 30, 2020 and 2019, would have decreased net profit before tax for the six months ended June 30, 2020 and 2019, by \$3 thousand and \$12,500 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

3) Exchange gains and losses on monetary items

Due to the numerous types of functional currency of the Group, the Group disclose its exchange gains and losses of monetary items aggregately. The Company's exchange gains (loss), including realized and unrealized, were \$(2,620) thousand, \$16,621 thousand, \$38,767 thousand and \$37,720 thousand for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, respectively.

(iv) Interest rate analysis

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

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

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If the interest rate had increased / decreased by 0.25%, the Group's net income would have decreased / increased by \$2,442 thousand and \$1,824 thousand for the six months ended June 30, 2020 and 2019, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates.

(v) Fair value information

1) Categories and fair value of financial instruments

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

<b>June 30, 2020</b>					
	<b>Amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets measured of fair value through profit or loss					
Derivative financial assets — current	\$ 412	-	412	-	412
Financial assets measured at amortized cost					
Cash and cash equivalents	873,746	-	-	-	-
Note receivables	4,959	-	-	-	-
Accounts receivables	3,197,044	-	-	-	-
Other receivables	48,673	-	-	-	-
Refundable deposits	7,872	-	-	-	-
Other financial assets	2,738	-	-	-	-
Subtotal	4,135,032	-	-	-	-
Total	<b>\$ 4,135,444</b>	<b>-</b>	<b>412</b>	<b>-</b>	<b>412</b>
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities — current	\$ 5,313	-	5,313	-	5,313

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June 30, 2020					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Secured bank loans	\$ 836,378	-	-	-	-
Unsecured bank loans	1,372,245	-	-	-	-
Lease liabilities	165,434	-	-	-	-
Notes and accounts payable	2,517,065	-	-	-	-
Other payables (including payables on equipment)	834,970	-	-	-	-
Dividend payable	569,799	-	-	-	-
Long-term payable	108,611	-	-	-	-
Subtotal	6,404,502	-	-	-	-
Total	<u>\$ 6,409,815</u>	<u>-</u>	<u>5,313</u>	<u>-</u>	<u>5,313</u>
December 31, 2019					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets — current	\$ 3,474	-	3,474	-	3,474
Financial assets measured at amortized cost					
Cash and cash equivalents	299,901	-	-	-	-
Accounts receivables	2,871,444	-	-	-	-
Other receivables	35,726	-	-	-	-
Other financial assets	6,202	-	-	-	-
Refundable deposits	7,928	-	-	-	-
Subtotal	3,221,201	-	-	-	-
Total	<u>\$ 3,224,675</u>	<u>-</u>	<u>3,474</u>	<u>-</u>	<u>3,474</u>

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**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
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December 31, 2019					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities—current	\$ 3,290	-	3,290	-	3,290
Financial liabilities measured at amortized cost					
Secured bank loans	465,045	-	-	-	-
Unsecured bank loans	1,535,717	-	-	-	-
Lease liabilities	244,360	-	-	-	-
Convertible bonds payable (including derivative financial assets)	17,781	-	-	-	-
Accounts payable	1,366,881	-	-	-	-
Other payables (including payables on equipment)	507,706	-	-	-	-
Long-term payable	11,033	-	-	-	-
Subtotal	4,148,523	-	-	-	-
Total	<u>\$ 4,151,813</u>	<u>-</u>	<u>3,290</u>	<u>-</u>	<u>3,290</u>
June 30, 2019					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets—current	\$ 4,328	-	4,328	-	4,328
Financial assets measured at amortized cost					
Cash and cash equivalents	344,114	-	-	-	-
Accounts receivables	3,198,594	-	-	-	-
Other receivables	37,484	-	-	-	-
Refundable deposits	8,481	-	-	-	-
Subtotal	3,588,673	-	-	-	-
Total	<u>\$ 3,593,001</u>	<u>-</u>	<u>4,328</u>	<u>-</u>	<u>4,328</u>

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**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
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	June 30, 2019				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities—current	\$ 35	-	35	-	35
Financial liabilities measured at amortized cost					
Secured bank loans	403,849	-	-	-	-
Unsecured bank loans	1,115,876	-	-	-	-
Lease liabilities	346,907	-	-	-	-
Convertible bonds payable (including derivative financial assets)	27,772	-	-	-	-
Accounts payable	2,561,808	-	-	-	-
Other payables (including payables on equipment)	540,075	-	-	-	-
Dividend payables	465,236	-	-	-	-
Long-term payable	34,035	-	-	-	-
Subtotal	5,495,558	-	-	-	-
Total	<u>\$ 5,495,593</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>35</u>

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

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

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

b) Derivative financial instruments

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

(u) Financial risk management

There were no significant changes in the objectives and policies concerning the financial risks the Group was exposed to. Please refer to note 6(v) to the 2019 consolidated financial statements for related information.

(v) Capital management

The purpose, policy, procedures, and summarized quantitative data of the Group's capital management were the same as those disclosed in the 2019 consolidated financial statements. Please refer to note 6(w) to the 2019 consolidated financial statements for related information.

(w) Non-cash investing and financing activities

For the six months ended June 30, 2020 and 2019, the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment and right-of-use asset through finance leasing, as well as the conversion of convertible bonds into common stock. Please refer to notes 6(l), (m) and (p) for related information.

Reconciliation of liabilities from financing activities were as follows:

	January 1, 2020	Obtained from acquisition	Cash flows	Acquisition/ cancellation of contracts	Non-cash changes			June 30, 2020
					Translation effect	Amortization of discount	Conversion	
Long-term loans	\$ 1,101,544	-	(1,126)	-	(35,475)	-	-	1,064,943
Short-term loans	899,218	132,192	160,056	-	(47,786)	-	-	1,143,680
Lease liabilities	244,360	169	(76,510)	9,669	(12,254)	-	-	165,434
Corporate bonds payable	17,797	-	-	-	-	64	(17,861)	-
Total liabilities from financing activities	<u>\$ 2,262,919</u>	<u>132,361</u>	<u>82,420</u>	<u>9,669</u>	<u>(95,515)</u>	<u>64</u>	<u>(17,861)</u>	<u>2,374,057</u>

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**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
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	January 1, 2019	Cash flows	Non-cash changes				June 30, 2019
			Acquisition of contracts	Translation effect	Amortization of discount	Conversion	
Long-term loans	\$ 847,112	(162,281)	-	44,667	-	-	729,498
Short-term loans	1,287,170	(563,723)	-	66,780	-	-	790,227
Lease liabilities	417,659	(99,599)	4,823	24,024	-	-	346,907
Corporate bonds payable	654,595	-	-	-	3,551	(630,336)	27,810
Total liabilities from financing activities	<u>\$ 3,206,536</u>	<u>(825,603)</u>	<u>4,823</u>	<u>135,471</u>	<u>3,551</u>	<u>(630,336)</u>	<u>1,894,442</u>

**(7) Related-party transactions:**

- (a) Parent Company and ultimate controlling party

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

- (b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
APS	The entity's chairman is the second immediate family of the chairman of the Company (note)
Wang Chin Shin	The second immediate family of the chairman of the Company
Wang Chang Tao	The second immediate family of the chairman of the Company
Wang Chong Hsien	The second immediate family of the chairman of the Company
Wang Shu Mu	Chairman of the Company

Note: The Group has acquired 99.99% shares of APS on January 1, 2020.

(Continued)

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

(c) Significant transactions with related parties

(i) Acquisitions of share

In order to improve the diversification of production line of the Group, the Board of Directors has approved to acquire 99.99% shares of APS with total amount of \$277,485 thousand (THB 274,983 thousand). 91% of the total acquired shares were purchased from related parties for \$252,512 thousand (THB 250,235 thousand). The total amounts that the Group paid to related party are summarized as below:

	<b>2020.1.1~ 2020.3.31</b>	<b>2019.10.3~ 2019.12.31</b>	<b>Total</b>
Wang Chin Shin	\$ 57,843	28,455	86,298
Wang Chang Tao	28,255	13,895	42,150
Wang Chong Hsien	83,163	40,901	124,064
Total	<b>\$ 169,261</b>	<b>83,251</b>	<b>252,512</b>

The Group has prepaid \$83,251 thousand (THB 82,500 thousand) as of December 31, 2019 and it was recognized as prepayment of investment. The payment of residual amount \$169,261 thousand (THB 167,735 thousand) and transfer of shares has been completed in January 2020.

(ii) Leases

The Group rent its office from the other related party for the six months ended June 30, 2019. The Group applied IFRS 16, with the date of initial application on January 1, 2019. This lease transaction recognized the additional amounts of \$987 thousand for both right-of-use assets and lease liabilities. The Group no longer has the need to rent its office from a related party, therefore, the lease had been terminated in May 2019. As of June 30, 2019, all lease liabilities had been fully paid, resulting in the Group to recognize the amount of \$19 thousand as interest expense.

The Group did not rent office from the other related party for the six months ended June 30, 2020.

(iii) Guarantee

For the six months ended June 30, 2020 and 2019, chairman of the Company provided credit guarantees to the Group for short-term and long-term loans.

(Continued)

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

(d) Management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 8,643	10,988	18,615	19,256
Post-employment benefits	225	266	456	529
Other long-term benefits	1	-	2	1
	<u>\$ 8,869</u>	<u>11,254</u>	<u>19,073</u>	<u>19,786</u>

(8) Pledged assets:

Pledged assets	Object	June 30, 2020	December 31, 2019	June 30, 2019
Other financial assets				
— non-current:				
Restricted bank deposits	Long-term loans	\$ 2,738	6,202	-
Property, plant, and equipment:				
Land	Long-term and short-term loans	229,424	240,591	241,283
Buildings	Long-term and short-term loans	1,238,621	1,267,882	1,306,627
Machinery and equipment	Long-term short-term loans and electricity guarantee	1,295,844	1,433,903	1,394,170
Office equipment	Long-term and short-term loans	26,117	28,363	29,377
Total		<u>\$ 2,792,744</u>	<u>2,976,941</u>	<u>2,971,457</u>

(Continued)

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

**(9) Commitments and contingencies:**

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Acquiring property, plant and equipment	\$ 696,446	120,283	44,926
Long-term commitments	110,611	53,228	71,348
Acquiring shares of investee	-	195,406	-
Total	<u>\$ 807,057</u>	<u>368,917</u>	<u>116,274</u>

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Letters of credit	\$ <u>34,355</u>	<u>35,074</u>	<u>79,744</u>

(c) Guarantees provided by banks were as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>June 30, 2019</b>
Electricity guarantee	\$ <u>84,530</u>	<u>84,079</u>	<u>82,427</u>

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

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

Function  Account	For the three months ended June 30					
	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	387,100	67,715	454,815	360,659	62,970	423,629
Health insurance	-	377	377	-	343	343
Pension	1,423	1,633	3,056	1,455	1,185	2,640
Remuneration to directors	-	180	180	-	180	180
Other personnel expense	36,085	10,278	46,363	37,128	15,380	52,508
Depreciation	153,728	27,740	181,468	163,318	18,025	181,343
Amortization	1,485	2,184	3,669	1,328	1,724	3,052

(Continued)

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

	For the six months ended June 30					
Function	2020			2019		
Account	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	730,525	143,049	873,574	738,007	122,246	860,253
Health insurance	-	785	785	-	722	722
Pension	2,885	3,290	6,175	2,966	2,286	5,252
Remuneration to directors	-	360	360	-	360	360
Other personnel expense	69,431	22,193	91,624	74,536	28,626	103,162
Depreciation	310,501	55,894	366,395	327,014	35,119	362,133
Amortization	2,945	4,447	7,392	3,105	3,453	6,558

Note: For the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, amortized deferred revenue amounting to \$0 thousand, \$8 thousand, \$0 thousand and \$16 thousand, respectively, were excluded from the depreciation.

- (b) The Group's operations were not affected by seasonality factors.

(Continued)

## APEX INTERNATIONAL CO., LTD.

### Notes to Consolidated Interim Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2020:

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

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	The Company	Apex Circuit (Thailand)	(Note 1)	21,364,896 (Note 2)	4,830,795	4,775,606	1,892,922	-	67.06 %	21,364,896 (Note 3)	Y	N	N
2	The Company	APS	(Note 1)	21,364,896 (Note 2)	144,075	144,075	67,235	-	2.02 %	21,364,896 (Note 3)	Y	N	N
3	Apex Circuit (Thailand)	The Company	(Note 1)	4,069,810 (Note 4)	1,091,880	1,067,769	326,260	-	14.99 %	4,069,810 (Note 5)	N	Y	N
4	Apex Circuit (Thailand)	APS	(Note 1)	4,069,810 (Note 4)	244,928	244,928	146,773	-	3.44 %	4,069,810 (Note 5)	N	N	N

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

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

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

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

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

- (iii) Securities held as of June 30, 2020 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Apex Circuit (Thailand) Co., Ltd.	Plant construction	2020.1.20	595,448	240,884	Fah Chun Development Co., Ltd.	None				-	External contractors were hired to perform construction on owner's land	Expansion of business	None

- (vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (ix) Information regarding trading in derivative financial instruments: None. 6(b) and (l)
- (x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	AET	Apex Circuit (Thailand) Co., Ltd.	3	Sales	57,124	No Comparison	1.02%

Note 1: 1. 0 represents parent company.

2. 1 and thereafter represent subsidiary companies.

(Continued)

## APEX INTERNATIONAL CO., LTD.

### Notes to Consolidated Interim Financial Statements

Note 2: 1. Parent company to subsidiary company.

2. Subsidiary company to parent company.

3. Subsidiary company to subsidiary company

Note 3: The account should be disclosed if the amount is over 1% of the total assets from the statement of financial position and total operating revenue from the statement of comprehensive income, respectively.

Note 4: Transactions between subsidiaries have been eliminated during preparation of the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2020:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2020			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				June 30, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value (Notes 1 and 2)			
The Company	Apex Circuit (Thailand) Co., Ltd.	Thailand	PCB (printed circuit board) manufacturing and sales	3,311,762	3,311,762	143,194	99.58 %	8,105,420	651,122	648,387	
The Company	AET	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	8,195	(742)	(874)	
Apex Circuit (Thailand) Co., Ltd.	APS	Thailand	PCB (printed circuit board) manufacturing and sales	277,485	-	32	99.99 %	135,755	(791)	(7,995) (Note 3)	
APS	APSS	Singapore	PCB sales development	8,195	-	380	100.00 %	6,603	(1,110)	(1,140)	

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

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

Note 3: The amount of amortization of premium on investment recognized in this period has been included in share of profits/losses of investee

(c) Information on investment in China:

(i) The names of investees in China, the main businesses and products, and other information:

Unit: in thousands of dollars

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020 (Note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2020 (Note 4)	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses) (Notes 2 and 3)	Book value (Notes 2 and 3)	Accumulated remittance of earnings in current period
					Outflow (Note 4)	Inflow (Note 4)						
APC	Import/export of PCB (printed circuit board)	8,488 (RMB2,000)	2	-	-	-	-	(1,815) (RMB(426))	99.58 %	(1,807) (RMB(424))	6,693 (RMB1,574)	-

Note 1: Investment methods are divided into the following three kinds

(1) Direct investment in China.

(2) Direct investment in Thailand (Apex Circuit Co., Ltd.) prior to investing in China.

(3) Other methods.

Note 2: Long-term investment and investment gains and losses have been recognized by using the equity method based on the financial statements of the investee companies reviewed by auditors.

Note 3: Long-term investment and investment gains or losses have been eliminated in the preparation of the consolidated financial statements.

Note 4: The Company is not a Taiwan local company, so no investment amount is shown.

Note 5: The book value at end of year are calculated by using the exchange rate on June 30, 2020 (BS exchange rate RMB:TWD-1:4.2520). The net income (loss) of the investee company and investment gains (losses) recognized by the parent company are calculated by the average exchange rate (IS exchange rate RMB:TWD-1:4.2645.)

(ii) Limitation on investment in China: None.

(iii) Significant transactions: None.

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

(d) Major shareholders:

Unit: share			
Shareholder's Name	Shareholding	Shares	Percentage
Lu Yan Xian		14,800,000	7.79 %

Note:(1) The main shareholder information of this table is calculated by Depositor & Clearing Corporation (TDCC) using information that shareholder acquired more than 5% of common share and preferred share have been completed non-physical delivered. There might be a difference between share capital on the financial report and the actual share that have completed non-physical delivered due to different basis of accounting.

(2) Percentage of ownership is chopped to the second decimal place.

**(14) Segment information:**

The information on operating segments of the Group is as follows:

For the three months ended June 30				
2020				
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 2,983,052	-	-	2,983,052
Revenue from transactions with other operating segments	236	35,970	(36,206)	-
Total revenue	<u>\$ 2,983,288</u>	<u>35,970</u>	<u>(36,206)</u>	<u>2,983,052</u>
Segment's profit or loss	<u>\$ 361,666</u>	<u>(5,905)</u>	<u>(3,941)</u>	<u>351,820</u>
For the three months ended June 30				
2019				
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 2,454,752	-	-	2,454,752
Revenue from transactions with other operating segments	-	24,639	(24,639)	-
Total revenue	<u>\$ 2,454,752</u>	<u>24,639</u>	<u>(24,639)</u>	<u>2,454,752</u>
Segment's profit or loss	<u>\$ 270,506</u>	<u>(6,984)</u>	<u>301</u>	<u>263,823</u>

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

<b>For the six months ended June 30</b>				
<b>2020</b>				
	<b>Thailand</b>	<b>Other</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue				
Revenue from external customers	\$ 5,587,818	-	-	5,587,818
Revenue from transactions with other operating segments	1,722	62,270	(63,992)	-
Total revenue	<u>\$ 5,589,540</u>	<u>62,270</u>	<u>(63,992)</u>	<u>5,587,818</u>
Segment's profit or loss	<u>\$ 666,387</u>	<u>(20,440)</u>	<u>(7,366)</u>	<u>638,581</u>
<b>For the six months ended June 30</b>				
<b>2019</b>				
	<b>Thailand</b>	<b>Other</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue				
Revenue from external customers	\$ 5,302,315	-	-	5,302,315
Revenue from transactions with other operating segments	-	60,138	(60,138)	-
Total revenue	<u>\$ 5,302,315</u>	<u>60,138</u>	<u>(60,138)</u>	<u>5,302,315</u>
Segment's profit or loss	<u>\$ 548,015</u>	<u>(16,449)</u>	<u>(142)</u>	<u>531,424</u>