

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

Consolidated Financial Statements

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

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802
West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208
Telephone: 66-34-490537-40

The independent auditors' 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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安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

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 ("the Group") as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months ended September 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 the Group as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, as well as its consolidated cash flows for the nine months ended September 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)
November 10, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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 September 30, 2020 and 2019

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2020, December 31, 2019, and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

		<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>				<u>September 30, 2020</u>		<u>December 31, 2019</u>		<u>September 30, 2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
11xx	Assets														
	Current assets:														
1100	Cash and cash equivalents (notes 6(a) and (f))	\$ 513,327	4	299,901	3	472,849	4	21xx	Current liabilities:						
1110	Financial assets measured at fair value through profit or loss—current (notes 6(b), (l) and (s))	162	-	3,474	-	2,511	-	2100	Short-term loans (notes 6(f), (g), (j), 7, 8 and 9)	\$ 1,407,085	11	899,218	8	1,099,864	9
1150	Notes receivable, net (notes 6(c), (f) and (r))	3,175	-	-	-	-	-	2120	Financial liabilities measured at fair value through profit or loss—current (notes 6(b), (l) and (s))	8,529	-	3,290	-	103	-
1170	Accounts receivable, net (notes 6(c), (f) and (r))	3,694,561	27	2,871,444	25	3,181,254	26	2170	Accounts payable (note 6(f))	2,216,103	16	1,366,881	12	1,796,011	15
1200	Other receivables (note 6(d))	45,956	-	35,726	-	21,270	-	2200	Other payables (notes 6(f))	536,357	4	385,148	3	496,906	4
130x	Inventories (notes 6(e) and (f))	1,958,248	14	1,800,906	15	2,077,988	17	2213	Payable for machinery and equipment (note 6(f))	448,685	3	212,591	2	184,742	2
1479	Other current assets (note 6(f))	81,578	1	58,044	-	63,109	1	2280	Current lease liabilities (notes 6(f), (h), (m) and 7)	86,676	1	145,310	1	166,947	1
	Total current assets	<u>6,297,007</u>	<u>46</u>	<u>5,069,495</u>	<u>43</u>	<u>5,818,981</u>	<u>48</u>	2321	Current portion of convertible bonds payable (notes 6(l) and (p))	-	-	17,797	-	-	-
15xx	Non-current assets:														
1510	Financial asset measured at fair value through profit or loss—non-current (notes 6(b), (l) and (s))	-	-	-	-	40	-	2322	Current portion of long-term loans (notes 6(g), (k), 7 and 8)	121,727	1	422,093	4	485,889	4
1600	Property, plant and equipment (notes 6(f), (g), (h), (j), (k), 8 and 9)	6,614,827	49	6,067,841	52	5,915,251	47	2399	Other current liabilities (note 6(f) and (p))	27,511	-	19,393	-	22,919	-
1755	Right-of-use asset (notes 6(f), (g), (h), (m) and 7)	352,329	3	500,985	4	655,336	5		Total current liabilities	<u>4,852,673</u>	<u>36</u>	<u>3,471,721</u>	<u>30</u>	<u>4,253,381</u>	<u>35</u>
1780	Intangible assets (notes 6(f) and (i))	182,908	1	34,924	-	33,867	-	25xx	Non-Current liabilities:						
1840	Deferred tax assets	14,729	-	16,109	-	13,053	-	2530	Convertible bonds payable (notes 6(b), (l) and (p))	-	-	-	-	17,704	-
1915	Prepayment for equipment (note 6(g))	114,805	1	22,157	-	22,470	-	2540	Long-term loans (notes 6(g), (k), 7 and 8)	1,234,065	9	679,451	6	517,503	4
1920	Refundable deposits (note 6(f))	7,675	-	7,928	-	7,771	-	2570	Deferred tax liabilities	47,578	-	52,180	-	49,370	-
1960	Prepayment for investment (notes 7 and 9)	-	-	83,251	1	-	-	2580	Non-current lease liabilities (notes 6(f), (h), (m) and 7)	47,371	-	99,050	1	130,295	1
1980	Other financial assets—non-current (notes 6(a), (k) and 8)	4,405	-	6,202	-	-	-	2612	Long-term payable	169,881	1	11,033	-	13,547	-
	Total non-current assets	<u>7,291,678</u>	<u>54</u>	<u>6,739,397</u>	<u>57</u>	<u>6,647,788</u>	<u>52</u>	2670	Other non-current liabilities (notes 6(f) and (n))	69,711	1	49,968	-	54,515	1
									Total non-current liabilities	<u>1,568,606</u>	<u>11</u>	<u>891,682</u>	<u>7</u>	<u>782,934</u>	<u>6</u>
								2xxx	Total liabilities	<u>6,421,279</u>	<u>47</u>	<u>4,363,403</u>	<u>37</u>	<u>5,036,315</u>	<u>41</u>
								31xx	Equity attributable to owners of parent (notes 6(l) and (p)):						
								3110	Common stock	1,899,380	14	1,890,409	16	1,890,409	15
								3200	Capital surplus	2,405,512	18	2,396,626	20	2,396,626	19
								3300	Retained earnings	3,117,921	23	2,697,167	23	2,647,256	21
								3410	Exchange differences on translation of foreign financial statements	(289,673)	(2)	428,276	4	463,228	4
									Total equity attributable to owners of parent	<u>7,133,140</u>	<u>53</u>	<u>7,412,478</u>	<u>63</u>	<u>7,397,519</u>	<u>59</u>
								36xx	Non-controlling interests (note 6(f))	<u>34,266</u>	<u>-</u>	<u>33,011</u>	<u>-</u>	<u>32,935</u>	<u>-</u>
								3xxx	Total equity	<u>7,167,406</u>	<u>53</u>	<u>7,445,489</u>	<u>63</u>	<u>7,430,454</u>	<u>59</u>
1xxx	Total assets	<u>\$ 13,588,685</u>	<u>100</u>	<u>11,808,892</u>	<u>100</u>	<u>12,466,769</u>	<u>100</u>	2-3xxx	Total liabilities and equity	<u>\$ 13,588,685</u>	<u>100</u>	<u>11,808,892</u>	<u>100</u>	<u>12,466,769</u>	<u>100</u>

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 nine months ended September 30, 2020 and 2019

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

		For the three months ended September 30				For the nine months ended September 30			
		2020		2019		2020		2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(f) and (r))	\$ 3,222,813	100	2,806,299	100	8,810,631	100	8,108,614	100
5000	Operating costs (notes 6(e), (g), (h), (i), (m) and (n))	<u>2,532,089</u>	<u>79</u>	<u>2,262,038</u>	<u>81</u>	<u>6,888,180</u>	<u>78</u>	<u>6,477,708</u>	<u>80</u>
5900	Gross profit from operations	<u>690,724</u>	<u>21</u>	<u>544,261</u>	<u>19</u>	<u>1,922,451</u>	<u>22</u>	<u>1,630,906</u>	<u>20</u>
6000	Operating expenses (notes 6(c), (f), (g), (h), (i), (m), (n), (p) and 7):								
6100	Selling expenses	181,988	6	152,800	5	511,913	6	446,823	5
6200	Administrative expenses	145,481	4	117,860	4	425,022	5	378,423	5
6300	Research and development expenses	8,304	-	5,597	-	26,062	-	11,039	-
6450	Expected credit loss (reversal of expected credit loss)	<u>(222)</u>	<u>-</u>	<u>828</u>	<u>-</u>	<u>(17,073)</u>	<u>-</u>	<u>654</u>	<u>-</u>
	Total operating expenses	<u>335,551</u>	<u>10</u>	<u>277,085</u>	<u>9</u>	<u>945,924</u>	<u>11</u>	<u>836,939</u>	<u>10</u>
6900	Operating income	<u>355,173</u>	<u>11</u>	<u>267,176</u>	<u>10</u>	<u>976,527</u>	<u>11</u>	<u>793,967</u>	<u>10</u>
7000	Non-operating income and expenses (notes 6(b), (g), (l), (m), (s) and 7):								
7100	Interest income	671	-	922	-	1,320	-	2,811	-
7010	Other income	3,786	-	2,303	-	25,691	-	12,371	-
7020	Other gains and losses	19,759	-	14,389	1	39,307	-	44,398	1
7050	Finance costs	<u>(7,176)</u>	<u>-</u>	<u>(16,899)</u>	<u>(1)</u>	<u>(32,051)</u>	<u>-</u>	<u>(54,232)</u>	<u>(1)</u>
	Total non-operating income and expenses	<u>17,040</u>	<u>-</u>	<u>715</u>	<u>-</u>	<u>34,267</u>	<u>-</u>	<u>5,348</u>	<u>-</u>
7900	Profit from continuing operations before tax	372,213	11	267,891	10	1,010,794	11	799,315	10
7951	Less: Income tax expenses (note 6(o))	<u>10,866</u>	<u>-</u>	<u>2,737</u>	<u>-</u>	<u>15,972</u>	<u>-</u>	<u>15,322</u>	<u>-</u>
8200	Profit (note 6(f))	<u>361,347</u>	<u>11</u>	<u>265,154</u>	<u>10</u>	<u>994,822</u>	<u>11</u>	<u>783,993</u>	<u>10</u>
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	(349,773)	(11)	8,646	-	(720,978)	(8)	462,510	5
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>(349,773)</u>	<u>(11)</u>	<u>8,646</u>	<u>-</u>	<u>(720,978)</u>	<u>(8)</u>	<u>462,510</u>	<u>5</u>
8500	Total comprehensive income	<u>\$ 11,574</u>	<u>-</u>	<u>273,800</u>	<u>10</u>	<u>273,844</u>	<u>3</u>	<u>1,246,503</u>	<u>15</u>
	Profit, attributable to:								
8610	Owners of parent	\$ 359,812	11	264,014	10	990,553	11	780,603	10
8620	Non-controlling interests	<u>1,535</u>	<u>-</u>	<u>1,140</u>	<u>-</u>	<u>4,269</u>	<u>-</u>	<u>3,390</u>	<u>-</u>
		<u>\$ 361,347</u>	<u>11</u>	<u>265,154</u>	<u>10</u>	<u>994,822</u>	<u>11</u>	<u>783,993</u>	<u>10</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of parent	\$ 11,508	-	272,623	10	272,604	3	1,241,170	15
8720	Non-controlling interests	<u>66</u>	<u>-</u>	<u>1,177</u>	<u>-</u>	<u>1,240</u>	<u>-</u>	<u>5,333</u>	<u>-</u>
		<u>\$ 11,574</u>	<u>-</u>	<u>273,800</u>	<u>10</u>	<u>273,844</u>	<u>3</u>	<u>1,246,503</u>	<u>15</u>
	Basic earnings per share (expressed in New Taiwan dollars) (note 6(q))								
9750	Basic earnings per share	<u>\$ 1.89</u>		<u>1.40</u>		<u>5.22</u>		<u>4.24</u>	
9850	Diluted earnings per share	<u>\$ 1.89</u>		<u>1.39</u>		<u>5.22</u>		<u>4.13</u>	

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 Changes in Equity

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
			Retained earnings			Exchange differences on translation of foreign operation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Special reserve	Unappropriated retained earnings	Total				
Balance at January 1, 2019	\$ 1,702,295	1,944,448	300,256	2,031,633	2,331,889	2,661	5,981,293	27,602	6,008,895
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary share	-	-	-	(465,236)	(465,236)	-	(465,236)	-	(465,236)
Profit	-	-	-	780,603	780,603	-	780,603	3,390	783,993
Other comprehensive income	-	-	-	-	-	460,567	460,567	1,943	462,510
Total comprehensive income	-	-	-	780,603	780,603	460,567	1,241,170	5,333	1,246,503
Conversion of convertible bonds	188,114	452,178	-	-	-	-	640,292	-	640,292
Balance at September 30, 2019	<u>\$ 1,890,409</u>	<u>2,396,626</u>	<u>300,256</u>	<u>2,347,000</u>	<u>2,647,256</u>	<u>463,228</u>	<u>7,397,519</u>	<u>32,935</u>	<u>7,430,454</u>
Balance at January 1, 2020	\$ 1,890,409	2,396,626	300,256	2,396,911	2,697,167	428,276	7,412,478	33,011	7,445,489
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary share	-	-	-	(569,799)	(569,799)	-	(569,799)	-	(569,799)
Profit	-	-	-	990,553	990,553	-	990,553	4,269	994,822
Other comprehensive income	-	-	-	-	-	(717,949)	(717,949)	(3,029)	(720,978)
Total comprehensive income	-	-	-	990,553	990,553	(717,949)	272,604	1,240	273,844
Conversion of convertible bonds	8,971	8,886	-	-	-	-	17,857	-	17,857
Changes in non-controlling interests	-	-	-	-	-	-	-	15	15
Balance at September 30, 2020	<u>\$ 1,899,380</u>	<u>2,405,512</u>	<u>300,256</u>	<u>2,817,665</u>	<u>3,117,921</u>	<u>(289,673)</u>	<u>7,133,140</u>	<u>34,266</u>	<u>7,167,406</u>

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 Cash Flows

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,010,794	799,315
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	554,789	549,631
Amortization expense	11,167	9,027
Expected credit loss (reversal of expected credit loss)	(17,073)	654
Interest expense	32,051	54,232
Interest income	(1,320)	(2,811)
Loss on disposal of property, plant and equipment	7,939	949
Gain on lease modifications	(60)	(10)
Impairment loss on non-financial assets	11,651	6,537
Total adjustments to reconcile profit	599,144	618,209
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss	3,308	1,776
Notes receivable	(2,772)	-
Accounts receivable	(699,571)	462,081
Other receivables	(10,230)	20,065
Inventories	(94,596)	(425,625)
Other current assets	(23,167)	(1,678)
Total changes in operating assets	(827,028)	56,619
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss	5,239	(88)
Notes payable	(7)	-
Accounts payable	768,382	(487,605)
Other payables	143,812	68,363
Other current liabilities	6,401	3,036
Other non-current liabilities	3,758	12,514
Total changes in operating liabilities	927,585	(403,780)
Total changes in operating assets and liabilities	100,557	(347,161)
Total adjustments	699,701	271,048
Cash inflow generated from operations	1,710,495	1,070,363
Interest received	1,320	2,811
Interest paid	(35,212)	(49,978)
Income taxes paid	(18,533)	(14,541)
Net cash flows from operating activities	1,658,070	1,008,655
Cash flows from (used in) investing activities:		
Net cash flow from acquisition of subsidiaries (deduct cash acquired)	(163,942)	-
Acquisition of property, plant and equipment	(875,256)	(343,345)
Proceeds from disposal of property, plant and equipment	3,538	2,688
Decrease in refundable deposits	495	366
Acquisition of intangible assets	(4,173)	(2,062)
Decrease in other financial assets	1,797	-
Increase in prepayments for equipment	(253,396)	(14,302)
Net cash flows used in investing activities	(1,290,937)	(356,655)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	479,880	(265,711)
Proceeds from long-term loans	1,110,187	785,124
Repayments of long-term loans	(804,195)	(674,295)
Payment of lease liabilities	(109,705)	(152,218)
Cash dividends paid	(569,799)	(465,236)
Net cash flows from (used in) financing activities	106,368	(772,336)
Effect of exchange rate changes on cash and cash equivalents	(260,075)	182,917
Net increase in cash and cash equivalents	213,426	62,581
Cash and cash equivalents at beginning of period	299,901	410,268
Cash and cash equivalents at end of period	\$ 513,327	472,849

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

Notes to the Consolidated Financial Statements

September 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 November 10, 2020.

(3) New standards, amendments and interpretations adopted:

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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- (b) The impact of IFRS issued by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”	January 1, 2021

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
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(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 (%)		
			September 30, 2020	December 31, 2019	September 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.

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

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

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

(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.

(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.

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

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.

(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.

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

(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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash	\$ 1,270	277	491
Demand deposits	476,565	290,160	363,623
Checking deposits	26,754	432	88
Time deposits	8,738	9,032	108,647
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 513,327</u>	<u>299,901</u>	<u>472,849</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:

	September 30, 2020	December 31, 2019	September 30, 2019
Restricted bank deposit	<u>\$ 4,405</u>	<u>6,202</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>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 162	3,458	2,511
Mandatorily measured at fair value through profit or loss:			
Derivative financial assets			
Call and put option of corporate bonds payable	-	16	-
Total	<u>\$ 162</u>	<u>3,474</u>	<u>2,511</u>

2) Non-current

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>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>40</u>

(Continued)

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

(ii) Financial liabilities measured at fair value

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>8,529</u>	<u>3,290</u>	<u>103</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 September 30, 2020, December 31, 2019, and September 30, 2019.

Forward exchange contracts:

<u>September 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 2,000	USD to THB	2021.1.29	\$ <u>162</u>
Forward exchange sold	USD 8,000	USD to THB	2021.1.12 ~2021.2.25	\$ (1,828)
Forward exchange purchased	USD 16,000	NTD to USD	2020.11.11 ~2021.1.4	(6,701)
				\$ <u>(8,529)</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>

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

September 30, 2019				
	Amount			Fair value of
	(in thousands)	Currency	Maturity dates	assets
				(liabilities)
Forward exchange sold	USD 9,000	USD to THB	2019.11.8 ~2020.3.23	\$ 2,499
Forward exchange purchased	USD 1,000	NTD to USD	2019.12.17	12
				<u>\$ 2,511</u>
Forward exchange sold	USD 2,000	USD to THB	2020.1.6 ~2020.3.4	<u>\$ (103)</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

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 3,175	-	-
Accounts receivable	3,697,434	2,892,485	3,184,160
Less: loss allowance	<u>(2,873)</u>	<u>(21,041)</u>	<u>(2,906)</u>
	<u>\$ 3,697,736</u>	<u>2,871,444</u>	<u>3,181,254</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 September 30, 2020, December 31, 2019, and September 30, 2019 were as follows:

September 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)
		Loss allowance provision
Not yet due	\$ 480,634	-
Past due 1~30 days	110,092	-
Past due 31~60 days	31,713	-
Past due 61~90 days	105	-
Past due 91~120 days	194	20.62
Past due 121~180 days	2	50.00
Past due over 180 days	5	100.00
	<u>\$ 622,745</u>	<u>46</u>

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

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

	September 30, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 212,112	0.01	28
Past due 1~30 days	52,280	0.06	31
Past due 31~60 days	27,055	0.27	72
Past due 61~90 days	3,537	8.78	311
	\$ 294,984		442

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

	September 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 277,182	-	-
Past due 1~30 days	13,821	-	-
Past due 31~60 days	14	-	-
	\$ 291,017		-

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

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

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.

	September 30, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 184,163	-	-
Past due 1~30 days	9,320	-	-
Past due 31~60 days	8	-	-
Past due 61~90 days	4,418	-	-
Past due 91~120 days	39,144	-	-
Past due 121~180 days	1,771	27.41	486
Past due over 180 days	1	100.00	1
	\$ 238,825		487

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

	September 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,926	100.00	1,926

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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:

September 30, 2020			
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,568,081	0.01	154
Past due 1~30 days	338,700	0.04	131
Past due 31~60 days	50,691	0.23	115
Past due 61~90 days	6,526	-	-
Past due 91~120 days	125	15.20	19
Past due 121~180 days	28	25.00	7
Past due over 180 days	204	100.00	204
	\$ 1,964,355		630
December 31, 2019			
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,156,587	-	-
Past due 1~30 days	257,752	-	-
Past due 31~60 days	7,982	-	-
Past due 61~90 days	2,263	-	-
	\$ 1,424,584		-
September 30, 2019			
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,384,215	-	-
Past due 1~30 days	188,126	-	-
Past due 31~60 days	329	-	-
Past due 61~90 days	2,260	-	-
Past due over 180 days	1,977	100.00	1,977
	\$ 1,576,907		1,977

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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:

	September 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 716,854	0.01	42
Past due 1~30 days	85,881	0.05	44
Past due 31~60 days	10,423	0.24	25
Past due 61~90 days	5,468	0.80	44
Past due 91~120 days	304	5.92	18
Past due 121~180 days	1,636	5.99	98
	\$ 820,566		271
	December 31, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 632,795	-	-
Past due 1~30 days	72,632	-	-
Past due 31~60 days	53,532	-	-
Past due 61~90 days	11,772	-	-
Past due 91~120 days	1,163	-	-
Past due 121~180 days	1,372	-	-
	\$ 773,266		-

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

	September 30, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 908,822	-	-
Past due 1~30 days	126,270	-	-
Past due 31~60 days	32,749	-	-
Past due 61~90 days	5,585	-	-
Past due 121~180 days	18	-	-
	<u><u>\$ 1,073,444</u></u>		<u><u>-</u></u>

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

	For the nine months ended September 30	
	2020	2019
Balance at the beginning	\$ 21,041	2,096
Acquisition	318	-
Impairment losses (reversal gain)	(17,073)	654
Foreign exchange losses (gains)	(1,413)	156
Balance at the ending	<u><u>\$ 2,873</u></u>	<u><u>2,906</u></u>

(d) Other receivables

	September 30, 2020	December 31, 2019	September 30, 2019
Other receivables	\$ 45,956	35,726	21,270
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 45,956</u></u>	<u><u>35,726</u></u>	<u><u>21,270</u></u>

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

September 30, 2020			
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 727,703	(42,479)	685,224
Work in process	338,680	(5,792)	332,888
Finished goods	512,264	(11,867)	500,397
Supplies and spare parts	449,991	(85,265)	364,726
Goods in transit	71,610	-	71,610
Merchandise inventory	3,403	-	3,403
Total	<u><u>\$ 2,103,651</u></u>	<u><u>(145,403)</u></u>	<u><u>1,958,248</u></u>

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

September 30, 2019			
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 707,404	(51,514)	655,890
Work in process	309,177	(4,644)	304,533
Finished goods	658,428	(14,712)	643,716
Supplies and spare parts	449,155	(46,205)	402,950
Goods in transit	70,825	-	70,825
Merchandise inventory	74	-	74
Total	<u><u>\$ 2,195,063</u></u>	<u><u>(117,075)</u></u>	<u><u>2,077,988</u></u>

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

For the nine months ended September 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:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Loss on market price decline and obsolete and slow-moving inventories	\$ 14,508	3,666	13,707	3,562
Revenue from sale of scrap	(79,702)	(82,042)	(198,020)	(252,435)
Loss on inventory obsolescence	84,548	59,483	239,154	218,472
	\$ 19,354	(18,893)	54,841	(30,401)

As of September 30, 2020, December 31, 2019, and September 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 September 30, 2020, operating revenue and net loss of APS are \$435,949 thousand and \$3,345 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 nine months ended September 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		96,161	202	59,104	397,357	1,832	30,942	-	2,785	677,560	1,265,943
Disposals		-	-	-	(479,915)	-	(2,032)	-	-	-	(481,947)
Reclassification (notes 2 and 3)		-	-	24,837	246,541	-	(3)	-	-	(20,188)	251,187
Translation effect		(37,051)	(740)	(216,459)	(716,963)	(1,895)	(41,842)	-	(862)	(36,639)	(1,052,451)
Balance at September 30, 2020	\$	<u>449,136</u>	<u>7,797</u>	<u>2,230,581</u>	<u>7,253,403</u>	<u>15,240</u>	<u>453,125</u>	<u>-</u>	<u>12,825</u>	<u>830,564</u>	<u>11,252,671</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		-	99	25,714	186,989	-	29,400	-	-	48,903	291,105
Disposals		-	-	-	(63,053)	-	(8,582)	-	(2,294)	-	(73,929)
Reclassification (note 1)		-	-	655	59,701	1,802	169	(636,559)	-	(62,321)	(636,553)
Translation effect		22,366	526	143,109	473,090	821	27,747	-	684	5,128	673,471
Balance at September 30, 2019	\$	<u>353,001</u>	<u>8,369</u>	<u>2,276,805</u>	<u>7,592,635</u>	<u>12,965</u>	<u>453,961</u>	<u>-</u>	<u>10,941</u>	<u>71,744</u>	<u>10,780,421</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		-	623	95,463	365,691	2,342	33,442	-	1,624	-	499,185
Impairment loss		-	-	-	11,651	-	-	-	-	-	11,651
Disposals		-	-	-	(468,704)	-	(1,766)	-	-	-	(470,470)
Reclassification		-	-	-	23,971	-	(2)	-	-	-	23,969
Translation effect		-	(390)	(81,242)	(367,986)	(1,474)	(25,434)	-	(661)	-	(477,187)
Balance at September 30, 2020	\$	<u>-</u>	<u>4,464</u>	<u>840,589</u>	<u>3,486,592</u>	<u>11,252</u>	<u>285,076</u>	<u>-</u>	<u>9,871</u>	<u>-</u>	<u>4,637,844</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		-	632	88,723	354,162	837	32,638	-	1,528	-	478,520
Impairment loss		-	-	-	6,537	-	-	-	-	-	6,537
Disposals		-	-	-	(59,879)	-	(8,119)	-	(2,294)	-	(70,292)
Reclassification (note 1)		-	-	-	-	931	-	(106,791)	-	-	(105,860)
Translation effect		-	228	46,751	226,129	607	15,892	-	461	-	290,068
Balance at September 30, 2019	\$	<u>-</u>	<u>4,031</u>	<u>798,597</u>	<u>3,774,905</u>	<u>10,152</u>	<u>269,047</u>	<u>-</u>	<u>8,438</u>	<u>-</u>	<u>4,865,170</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 September 30, 2020	\$	<u>449,136</u>	<u>3,333</u>	<u>1,389,992</u>	<u>3,766,811</u>	<u>3,988</u>	<u>168,049</u>	<u>-</u>	<u>2,954</u>	<u>830,564</u>	<u>6,614,827</u>
Balance at September 30, 2019	\$	<u>353,001</u>	<u>4,338</u>	<u>1,478,208</u>	<u>3,817,730</u>	<u>2,813</u>	<u>184,914</u>	<u>-</u>	<u>2,503</u>	<u>71,744</u>	<u>5,915,251</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 \$156,805 thousand was transferred from prepayment for machinery and equipment.

3: The cost and accumulated depreciation of \$94,382 thousand and \$23,969 thousand, were reclassified from right-of-use assets.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Group tested the related machinery for impairment and estimated the differences between the book value and the recoverable amount. The impairment loss recognized was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Impairment loss	<u>\$ 4,234</u>	<u>1,302</u>	<u>11,651</u>	<u>6,537</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:

	Buildings	Machinery and equipment	Vehicles	Office equipment	Total
Cost:					
Balance at January 1, 2020	\$ 107,596	526,283	26,546	-	660,425
Obtained from acquisition	-	-	286	-	286
Additions	7,948	6,658	4,709	241	19,556
Disposals	(3,319)	-	-	-	(3,319)
Reclassification	-	(94,382)	-	-	(94,382)
Translation effect	(8,695)	(43,996)	(2,250)	(7)	(54,948)
Balance at September 30, 2020	<u>\$ 103,530</u>	<u>394,563</u>	<u>29,291</u>	<u>234</u>	<u>527,618</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	-	5,552	3,110	-	8,662
Disposals	(1,458)	(241)	-	-	(1,699)
Reclassification	-	1,268	(1,802)	-	(534)
Translation effect	6,305	44,493	1,553	-	52,351
Balance at September 30, 2019	<u>\$ 107,328</u>	<u>706,731</u>	<u>26,656</u>	<u>-</u>	<u>840,715</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	<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
Depreciation	20,232	27,776	7,536	60	55,604
Disposals	(1,455)	-	-	-	(1,455)
Reclassification	-	(23,969)	-	-	(23,969)
Translation effect	(2,595)	(10,847)	(888)	(1)	(14,331)
Balance at September 30, 2020	<u>\$ 43,443</u>	<u>114,753</u>	<u>17,034</u>	<u>59</u>	<u>175,289</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	20,187	43,399	7,549	-	71,135
Disposals	(163)	(84)	-	-	(247)
Reclassification	-	-	(931)	-	(931)
Translation effect	384	8,085	162	-	8,631
Balance at September 30, 2019	<u>\$ 20,408</u>	<u>157,260</u>	<u>7,711</u>	<u>-</u>	<u>185,379</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 September 30, 2020	<u>\$ 60,087</u>	<u>279,810</u>	<u>12,257</u>	<u>175</u>	<u>352,329</u>
Balance at September 30, 2019	<u>\$ 86,920</u>	<u>549,471</u>	<u>18,945</u>	<u>-</u>	<u>655,336</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	-	-	-	4,173	4,173
Translation effect	(11,141)	(291)	(3,813)	(9,892)	(25,137)
Balance at September 30, 2020	<u>\$ 115,174</u>	<u>3,007</u>	<u>39,427</u>	<u>105,561</u>	<u>263,169</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	<u>Goodwill</u>	<u>Operating procedure</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-	98,441	98,441
Additions	-	-	-	2,062	2,062
Reclassification from property, plant and equipment	-	-	-	528	528
Translation effect	-	-	-	6,678	6,678
Balance at September 30, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>107,709</u>	<u>107,709</u>
Amortization and impairment loss:					
Balance at January 1, 2020	\$ -	-	-	76,097	76,097
Amortization	-	464	3,041	7,662	11,167
Translation effect	-	(13)	(84)	(6,906)	(7,003)
Balance at September 30, 2020	<u>\$ -</u>	<u>451</u>	<u>2,957</u>	<u>76,853</u>	<u>80,261</u>
Balance at January 1, 2019	\$ -	-	-	60,562	60,562
Amortization	-	-	-	9,027	9,027
Translation effect	-	-	-	4,253	4,253
Balance at September 30, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>73,842</u>	<u>73,842</u>
Carrying amount:					
Balance at January 1, 2020	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>34,924</u>	<u>34,924</u>
Balance at September 30, 2020	<u>\$ 115,174</u>	<u>2,556</u>	<u>36,470</u>	<u>28,708</u>	<u>182,908</u>
Balance at September 30, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>33,867</u>	<u>33,867</u>

(j) Short-term loans

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Secured loans	\$ 54,286	-	-
Unsecured loans	1,352,799	899,218	1,099,864
Total	<u>\$ 1,407,085</u>	<u>899,218</u>	<u>1,099,864</u>
Unused credit line	<u>\$ 3,873,261</u>	<u>4,602,994</u>	<u>4,509,113</u>
Interest rate (%)	<u>0.38~4.09</u>	<u>1.35~2.60</u>	<u>1.60~3.15</u>

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

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(k) Long-term loans

	September 30, 2020	December 31, 2019	September 30, 2019
Secured loans	\$ 1,099,339	465,045	334,344
Unsecured loans	258,921	639,933	672,803
Less: deferred financing fee	(2,468)	(3,434)	(3,755)
Less: current portion	(121,727)	(422,093)	(485,889)
Total	<u>\$ 1,234,065</u>	<u>679,451</u>	<u>517,503</u>
Unused credit line	<u>\$ 1,164,674</u>	<u>1,525,185</u>	<u>1,750,822</u>
Interest rate (%)	<u>1.05~3.75</u>	<u>2.58~6.00</u>	<u>2.94~6.25</u>
Contract period	<u>2022.8~2025.7</u>	<u>2020.3~2023.12</u>	<u>2020.3~2022.11</u>

(i) Collateral for loans

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

(ii) Loan contract

For the nine months ended September 30, 2020, APS has obtained a credit line of \$89,889 thousand (THB \$95,000 thousand) bearing an interest rate of 3.30% and maturing in July 2025. The main commitment clauses in the contract are as follows:

- 1) The debt to equity ratio (liability/equity) cannot exceed 300%.
- 2) The debt service coverage ratio [(net income before tax + interest expense + depreciation + amortization) / long-term loan] must exceed 120%.
- 3) The interest bearing debt to EBITA [liability/(net income before tax + interest expense + depreciation + amortization)] cannot exceed 400%.

Please refer to note 6(j) of the 2019 consolidated financial statements for more information.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(l) Corporate bonds payable

September 30, 2020			
	Second unsecured convertible bond	Third unsecured convertible bond	Total
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>
December 31, 2019			
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Total amount of convertible bonds	\$ 650,000	600,000	1,250,000
Less: Discount on issuing convertible bonds	64,350	29,760	94,110
Underwriting expense	4,027	6,681	10,708
Discounted present value of bonds payable when issued	581,623	563,559	1,145,182
Amortization of discount on bonds payable	61,392	5,498	66,890
Reversal of discount on bonds payable conversion	6,985	30,440	37,425
Less: Accumulated converted amount	650,000	581,700	1,231,700
Ending balance of bonds payable	<u>\$ -</u>	<u>17,797</u>	<u>17,797</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	September 30, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Total amount of convertible bonds	\$ 650,000	600,000	1,250,000
Less: Discount on issuing convertible bonds	64,350	29,760	94,110
Underwriting expense	4,027	6,681	10,708
Discounted present value of bonds payable when issued	581,623	563,559	1,145,182
Amortization of discount on bonds payable	61,392	5,405	66,797
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>17,704</u>	<u>17,704</u>

For the nine months ended September 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 nine months ended September 30, 2020 and 2019.

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:

	September 30, 2020		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ -	16	16
Valuation loss	-	(12)	(12)
Conversion	-	(4)	(4)
Ending balance	<u>\$ -</u>	<u>-</u>	<u>-</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	December 31, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ -	170	170
Valuation gain (loss)	146	(56)	90
Conversion	(146)	(98)	(244)
Ending balance	<u>\$ -</u>	<u>16</u>	<u>16</u>

	September 30, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
Beginning balance	\$ -	170	170
Valuation gain (loss)	146	(32)	114
Conversion	(146)	(98)	(244)
Ending balance	<u>\$ -</u>	<u>40</u>	<u>40</u>

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

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

	December 31, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
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>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	September 30, 2019		
	Second unsecured convertible bond	Third unsecured convertible bond	Total
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>

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:

	September 30, 2020	December 31, 2019	September 30, 2019
Current	<u>\$ 86,676</u>	<u>145,310</u>	<u>166,947</u>
Non-current	<u>\$ 47,371</u>	<u>99,050</u>	<u>130,295</u>

The increase in lease liabilities for the nine months ended September 30, 2020 was \$19,556 thousand, with an interest rate of 1.25%~4.82%. The lease liabilities are due from March 2021 to September 2024.

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest on lease liabilities	<u>\$ 1,688</u>	<u>3,554</u>	<u>6,045</u>	<u>11,884</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>720</u>	<u>194</u>	<u>2,154</u>
Expenses relating to short-term leases	<u>\$ (511)</u>	<u>756</u>	<u>675</u>	<u>3,891</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 799</u>	<u>15</u>	<u>827</u>	<u>41</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The amounts recognized in the statement of cash flows for the Group were as follows:

	For the nine months ended September 30	
	2020	2019
Total cash outflow from operating activities	\$ 7,741	17,970
Total cash outflow from investing activities	109,705	152,218
Total cash outflow for leases	<u><u>\$ 117,446</u></u>	<u><u>170,188</u></u>

(i) Real estate leases

As of September 30, 2020, 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 September 30, 2020, 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.

(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 September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating costs	\$ 1,428	1,503	4,313	4,469
Operating expenses	1,400	1,008	4,228	2,880
	<u><u>\$ 2,828</u></u>	<u><u>2,511</u></u>	<u><u>8,541</u></u>	<u><u>7,349</u></u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(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 September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Operating expenses	\$ <u>241</u>	<u>208</u>	<u>703</u>	<u>622</u>

(iii) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$6,583 thousand, \$4,823 thousand and \$6,351 thousand as of September 30, 2020, December 31, 2019, and September 30, 2019, respectively.

(o) Income taxes

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Current tax expense				
Current period	\$ 10,815	2,582	15,921	2,792
Adjustment for prior periods	<u>51</u>	<u>155</u>	<u>51</u>	<u>12,530</u>
Income tax expenses	\$ <u>10,866</u>	<u>2,737</u>	<u>15,972</u>	<u>15,322</u>

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 2019. The income tax return of AET's Taiwan Branch 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 nine months ended September 30, 2020 and 2019. Please refer to note 6(q) to the 2019 consolidated financial statements for related information.

As of September 30, 2020, December 31, 2019, and September 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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Reconciliation of shares outstanding for the nine months ended September 30, 2020 and 2019, was as follows:

	Unit: Thousand shares	
	For the nine months ended September 30	
	2020	2019
Balance at January 1	189,041	170,230
Conversion of convertible bonds	897	18,811
Balance at September 30	<u>189,938</u>	<u>189,041</u>

(i) Issuance of common stock

In the nine months ended September 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 nine months ended September 30, 2019, second and third convertible bondholders converted bonds into common stocks, and of which 17,467 thousand shares and 1,344 thousand shares were converted at par value, amounting to \$174,673 thousand and \$13,441 thousand, respectively, in total of \$188,114 thousand. Registration processes in relation to the bond conversion have been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Premium on capital stock	\$ 2,378,112	2,368,387	2,368,387
Donation by shareholders	27,067	27,067	27,067
Issuance of convertible bonds — stock warrant	-	839	839
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>2,396,626</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(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 nine months ended September 30, 2020 and 2019 was \$0 thousand and \$540 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 related information about the earnings distributions that was resolved during the shareholder's meeting is available on the Market Observation Post System website.

(q) Earnings per share

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

	For the three months ended September 30		For the nine months ended September 30	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Basic EPS:				
Net income	\$ <u>359,812</u>	<u>264,014</u>	<u>990,553</u>	<u>780,603</u>
Weighted-average number of common shares outstanding	<u>189,938</u>	<u>189,027</u>	<u>189,779</u>	<u>184,320</u>
Basic EPS (New Taiwan Dollars)	\$ <u>1.89</u>	<u>1.40</u>	<u>5.22</u>	<u>4.24</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Diluted EPS:				
Net income	\$ 359,812	264,014	990,553	780,603
Influence of dilutive expenses	-	92	76	3,531
Net income for calculating diluted EPS	<u>\$ 359,812</u>	<u>264,106</u>	<u>990,629</u>	<u>784,134</u>
Weighted-average number of common shares outstanding	189,938	189,027	189,779	184,320
Conversion of convertible bonds	-	911	159	5,618
Weighted-average number of common shares outstanding — diluted	<u>189,938</u>	<u>189,938</u>	<u>189,938</u>	<u>189,938</u>
Diluted EPS (New Taiwan Dollars)	<u>\$ 1.89</u>	<u>1.39</u>	<u>5.22</u>	<u>4.13</u>

(r) Revenues from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Primary geographical markets:				
Thailand	\$ 539,562	531,208	1,603,129	1,443,839
Samoa	327,713	469,293	741,789	1,498,482
Singapore	661,847	606,057	1,685,052	1,427,388
Korea	299,720	203,663	1,018,585	678,652
Vietnam	312,654	-	965,415	-
Other	1,081,317	996,078	2,796,661	3,060,253
	<u>\$ 3,222,813</u>	<u>2,806,299</u>	<u>8,810,631</u>	<u>8,108,614</u>
Main product/service line				
Single-layer PCB sales	\$ 151,643	-	433,659	-
Double-layer PCB sales	579,636	471,410	1,763,792	1,426,624
Multi-layer PCB sales	2,488,276	2,336,358	6,615,896	6,668,241
Other	6,039	3,499	13,514	19,107
Less: sales allowance	(2,781)	(4,968)	(16,230)	(5,358)
	<u>\$ 3,222,813</u>	<u>2,806,299</u>	<u>8,810,631</u>	<u>8,108,614</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(ii) Remaining balances of contract

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 3,175	-	-
Accounts receivable	3,697,434	2,892,485	3,184,160
Less: loss allowance	(2,873)	(21,041)	(2,906)
Total	<u><u>\$ 3,697,736</u></u>	<u><u>2,871,444</u></u>	<u><u>3,181,254</u></u>

(s) Non-operating income and expenses

(i) Interest income

The details of interest income are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest income	<u><u>\$ 671</u></u>	<u><u>922</u></u>	<u><u>1,320</u></u>	<u><u>2,811</u></u>

(ii) Other income

The details of other income are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Income from cancellation of orders	\$ 404	86	9,654	4,105
Others	<u>3,382</u>	<u>2,217</u>	<u>16,037</u>	<u>8,266</u>
	<u><u>\$ 3,786</u></u>	<u><u>2,303</u></u>	<u><u>25,691</u></u>	<u><u>12,371</u></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:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Disposal of property, plant and equipment gain (loss), net	\$ (1,166)	54	(7,939)	(949)
Foreign exchange gain, net	28,850	17,504	67,617	55,224
Valuation loss on financial assets (liabilities), net	(3,655)	(1,851)	(8,670)	(1,929)
Impairment loss	(4,234)	(1,302)	(11,651)	(6,537)
Loss on disposal of investment	-	(18)	-	(1,421)
Gain on lease modifications	60	2	60	10
Other	(96)	-	(110)	-
	<u><u>\$ 19,759</u></u>	<u><u>14,389</u></u>	<u><u>39,307</u></u>	<u><u>44,398</u></u>

(iv) Finance cost

The details of finance cost are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Interest expense on loans from banks	\$ 8,021	13,503	30,740	39,253
Interest expense on lease liabilities	1,688	3,554	6,045	11,884
Less: interest expense capitalized	(2,533)	(252)	(4,798)	(550)
Amortization of discount on bonds payable	-	94	64	3,645
	<u><u>\$ 7,176</u></u>	<u><u>16,899</u></u>	<u><u>32,051</u></u>	<u><u>54,232</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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(i) Credit risk

1) Risk exposure

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

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 41%, 40% and 41% of the total amount of notes and accounts receivable as of September 30, 2020, December 31, 2019, and September 30, 2019, respectively. As of September 30, 2020, December 31, 2019, and September 30, 2019, the Group's accounts receivable concentrated on three main customers were \$1,512,736 thousand, \$1,140,802 thousand and \$1,294,986 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>
September 30, 2020					
Non-derivative financial liabilities					
Secured bank loans	\$ 1,151,157	1,187,776	192,918	125,158	869,700
Unsecured bank loans	1,611,720	1,619,966	1,357,938	232,533	29,495
Lease liabilities	134,047	139,659	90,443	31,745	17,471
Account payable	2,216,103	2,216,103	2,216,103	-	-
Other payables (including payables on equipment)	985,042	985,042	985,042	-	-
Long-term payable	169,881	169,881	-	136,556	33,325
Derivative financial liabilities					
Other forward contract —					
Outflow	8,529	8,529	8,529	-	-
	<u>\$ 6,276,479</u>	<u>6,326,956</u>	<u>4,850,973</u>	<u>525,992</u>	<u>949,991</u>

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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>
December 31, 2019					
Non-derivative financial liabilities					
Secured bank loans	\$ 465,045	485,818	224,187	120,184	141,447
Unsecured bank loans	1,535,717	1,575,499	1,128,841	21,438	425,220
Lease liabilities	244,360	255,774	152,807	69,781	33,186
Convertible bonds payable (including derivative financial assets)	17,781	18,300	18,300	-	-
Accounts payable	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><u>\$ 4,151,813</u></u>	<u><u>4,224,301</u></u>	<u><u>3,402,012</u></u>	<u><u>222,436</u></u>	<u><u>599,853</u></u>
September 30, 2019					
Non-derivative financial liabilities					
Secured bank loans	\$ 334,344	350,222	227,218	67,587	55,417
Unsecured bank loans	1,768,912	1,808,015	1,394,303	413,712	-
Lease liabilities	297,242	311,554	176,074	94,440	41,040
Convertible bonds payable (including derivative financial assets)	17,664	18,300	-	18,300	-
Accounts payable	1,796,011	1,796,011	1,796,011	-	-
Other payables (including payables on equipment)	501,930	501,930	501,930	-	-
Long-term payable	13,547	13,547	-	13,547	-
Derivative financial liabilities					
Other forward contract—					
Inflow	103	103	103	-	-
	<u><u>\$ 4,729,753</u></u>	<u><u>4,799,682</u></u>	<u><u>4,095,639</u></u>	<u><u>607,586</u></u>	<u><u>96,457</u></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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(iii) Currency risk

1) Currency risk exposure

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

	September 30, 2020			December 31, 2019			September 30, 2019			
	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount	
Financial assets										
Monetary items										
USD	\$	119,691	28.98	3,468,177	82,119	30.25	2,483,899	95,682	30.83	2,950,142
Financial liabilities										
Monetary items										
USD		135,578	29.24	3,964,779	73,961	30.51	2,256,585	86,917	31.15	2,707,174

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 September 30, 2020 and 2019, would have increased (decreased) net profit before tax for the nine months ended September 30, 2020 and 2019, by \$25,000 thousand and (\$12,000) 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, including realized and unrealized, were \$28,850 thousand, \$17,504 thousand, \$67,617 thousand and \$55,224 thousand for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

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

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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.

If the interest rate had increased / decreased by 0.25%, the Group's net income would have decreased / increased by \$3,396 thousand and \$2,518 thousand for the nine months ended September 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 carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

		September 30, 2020			
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured of fair value through profit or loss					
Derivative financial assets – current	\$ 162	-	162	-	162
Financial assets measured at amortized cost					
Cash and cash equivalents	513,327	-	-	-	-
Note receivables	3,175	-	-	-	-
Accounts receivables	3,694,561	-	-	-	-
Other receivables	45,956	-	-	-	-
Refundable deposits	7,675	-	-	-	-
Other financial assets	4,405	-	-	-	-
Subtotal	4,269,099	-	-	-	-
Total	\$ 4,269,261	-	162	-	162
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities – current	\$ 8,529	-	8,529	-	8,529

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		September 30, 2020			
		Fair value			Total
	Amount	Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Secured bank loans	\$ 1,151,157	-	-	-	-
Unsecured bank loans	1,611,720	-	-	-	-
Lease liabilities	134,047	-	-	-	-
Accounts payable	2,216,103	-	-	-	-
Other payables (including payables on equipment)	985,042	-	-	-	-
Long-term payable	<u>169,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>6,267,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,276,479</u>	<u>-</u>	<u>8,529</u>	<u>-</u>	<u>8,529</u>
December 31, 2019					
		Fair value			Total
	Amount	Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets — current	\$ <u>3,474</u>	<u>-</u>	<u>3,474</u>	<u>-</u>	<u>3,474</u>
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	<u>7,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>3,221,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	\$ 4,151,813	-	3,290	-	3,290
September 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	\$ 2,511	-	2,511	-	2,511
Financial assets measured at amortized cost					
Cash and cash equivalents	472,849	-	-	-	-
Accounts receivables	3,181,254	-	-	-	-
Other receivables	21,270	-	-	-	-
Refundable deposits	7,771	-	-	-	-
Subtotal	3,683,144	-	-	-	-
Total	\$ 3,685,655	-	2,511	-	2,511

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	September 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	\$ 103	-	103	-	103
Financial liabilities measured at amortized cost					
Secured bank loans	334,344	-	-	-	-
Unsecured bank loans	1,768,912	-	-	-	-
Lease liabilities	297,242	-	-	-	-
Convertible bonds payable (including derivative financial assets)	17,664	-	-	-	-
Accounts payable	1,796,011	-	-	-	-
Other payables (including payables on equipment)	501,930	-	-	-	-
Long-term payable	13,547	-	-	-	-
Subtotal	4,729,650	-	-	-	-
Total	\$ 4,729,753	-	103	-	103

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 and payment request or payment amount of future cash flow will not be changed due to timing difference, and the book value shall be estimate by the fair value's basis. This method applys to: 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 and payables for machinery and equipment.
- ii) The fair value of convertible bonds is estimated using a valuation model, but the fair value of convertible bonds is not necessarily equal to future cash outflow.

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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 nine months ended September 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	Non-cash changes				September 30, 2020
				Acquisition/ cancellation of contracts	Translation effect	Amortization of discount	Conversion	
Long-term loans	\$ 1,101,544	-	305,992	-	(51,774)	-	-	1,355,762
Short-term loans	899,218	132,192	479,880	-	(104,205)	-	-	1,407,085
Lease liabilities	244,360	169	(109,705)	17,632	(18,409)	-	-	134,047
Corporate bonds payable	17,797	-	-	-	-	64	(17,861)	-
Total liabilities from financing activities	<u>\$ 2,262,919</u>	<u>132,361</u>	<u>676,167</u>	<u>17,632</u>	<u>(174,388)</u>	<u>64</u>	<u>(17,861)</u>	<u>2,896,894</u>

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	January 1, 2019	Cash flows	Non-cash changes				September 30, 2019
			Acquisition of contracts	Translation effect	Amortization of discount	Conversion	
Long-term loans	\$ 847,112	110,829	-	45,451	-	-	1,003,392
Short-term loans	1,287,170	(265,711)	-	78,405	-	-	1,099,864
Lease liabilities	417,659	(152,218)	7,200	24,601	-	-	297,242
Corporate bonds payable	654,595	-	-	-	3,645	(640,536)	17,704
Total liabilities from financing activities	<u>\$ 3,206,536</u>	<u>(307,100)</u>	<u>7,200</u>	<u>148,457</u>	<u>3,645</u>	<u>(640,536)</u>	<u>2,418,202</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:

	2020.1.1~ 2020.3.31	2019.10.3~ 2019.12.31	Total
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	<u><u>\$ 169,261</u></u>	<u><u>83,251</u></u>	<u><u>252,512</u></u>

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 nine months ended September 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 September 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 nine months ended September 30, 2020.

(iii) Guarantee

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

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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 September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 9,763	8,271	28,378	27,527
Post-employment benefits	226	274	682	803
Other long-term benefits	2	1	4	2
	<u>\$ 9,991</u>	<u>8,546</u>	<u>29,064</u>	<u>28,332</u>

(8) Pledged assets:

Pledged assets	Object	September 30, 2020	December 31, 2019	September 30, 2019
Other financial assets				
— non-current:				
Restricted bank deposits	Long-term loans	\$ 4,405	6,202	-
Property, plant, and equipment:				
Land	Long-term and short-term loans	219,774	240,591	241,593
Buildings	Long-term and short-term loans	1,180,835	1,267,882	1,282,677
Machinery and equipment	Long-term short-term loans and electricity guarantee	1,195,888	1,433,903	1,479,990
Office equipment	Long-term and short-term loans	24,592	28,363	28,948
Total		<u>\$ 2,625,494</u>	<u>2,976,941</u>	<u>3,033,208</u>

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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:

	September 30, 2020	December 31, 2019	September 30, 2019
Acquiring property, plant and equipment	\$ 861,386	120,283	118,406
Long-term commitments	94,410	53,228	74,063
Acquiring shares of investee	-	195,406	-
Total	<u>\$ 955,796</u>	<u>368,917</u>	<u>192,469</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Letters of credit	<u>\$ 32,679</u>	<u>35,074</u>	<u>20,052</u>

(c) Guarantees provided by banks were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Electricity guarantee	<u>\$ 81,343</u>	<u>84,079</u>	<u>84,428</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 September 30					
	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	392,721	71,667	464,388	328,716	59,748	388,464
Health insurance	-	393	393	-	346	346
Pension	1,428	1,641	3,069	1,503	1,216	2,719
Remuneration to directors	-	180	180	-	180	180
Other personnel expense	36,853	11,428	48,281	37,052	10,390	47,442
Depreciation	159,903	28,491	188,394	168,398	19,100	187,498
Amortization	1,530	2,245	3,775	1,372	1,097	2,469

(Continued)

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

	For the nine months ended September 30					
Function	2020			2019		
Account	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	1,123,246	214,716	1,337,962	1,066,723	181,994	1,248,717
Health insurance	-	1,178	1,178	-	1,068	1,068
Pension	4,313	4,931	9,244	4,469	3,502	7,971
Remuneration to directors	-	540	540	-	540	540
Other personnel expense	106,284	33,621	139,905	111,588	39,016	150,604
Depreciation	470,404	84,385	554,789	495,412	54,219	549,631
Amortization	4,475	6,692	11,167	4,477	4,550	9,027

Note: For the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, amortized deferred revenue amounting to \$0 thousand, \$8 thousand, \$0 thousand and \$24 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 nine months ended September 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)	21,399,420 (Note 2)	4,830,795	4,574,737	1,852,938	-	64.13 %	21,399,420 (Note 3)	Y	N	N
2	The Company	APS	(Note 1)	21,399,420 (Note 2)	144,075	138,015	64,407	-	1.93 %	21,399,420 (Note 3)	Y	N	N
3	Apex Circuit (Thailand)	The Company	(Note 1)	4,077,758 (Note 4)	1,091,880	1,048,528	757,276	-	14.70 %	4,077,758 (Note 5)	N	Y	N
4	Apex Circuit (Thailand)	APS	(Note 1)	4,077,758 (Note 4)	244,928	234,626	207,580	-	3.29 %	4,077,758 (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 September 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	2020.8.11	684,264	307,950	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: None.

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APEX INTERNATIONAL CO., LTD.

Notes to Consolidated Interim Financial Statements

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2020:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2020			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				September 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 %	8,121,250	1,016,791	1,012,521	
The Company	AET	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	7,086	(1,981)	(1,983)	
Apex Circuit (Thailand) Co., Ltd.	APS	Thailand	PCB (printed circuit board) manufacturing and sales	277,485	-	32	99.99 %	122,376	(16,121)	(16,119) (Note 3)	
APS	APSS	Singapore	PCB sales development	8,195	-	402	100.00 %	5,748	(1,948)	(1,992)	

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 September 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	-	-	-	-	(3,526) (RMB(827))	99.58 %	(3,944) (RMB(925))	4,654 (RMB1,071)	-

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 September 30, 2020 (BS exchange rate RMB:TWD=1:4.3454).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=1:4.2636.)

(ii) Limitation on investment in China: None.

(iii) Significant transactions: None.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(d) Major shareholders:

Unit: share		
Shareholder's Name	Shareholding	Shares
Lu Yan Xian		14,800,000
Jin Da He Co., Ltd.		13,700,000
Yi Zhan Xin Co., Ltd.		10,500,000
		7.79 %
		7.21 %
		5.52 %

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 September 30				
2020				
			Adjustments and eliminations	
	Thailand	Other		Total
Revenue				
Revenue from external customers	\$ 3,222,788	25	-	3,222,813
Revenue from transactions with other operating segments	245	34,876	(35,121)	-
Total revenue	<u><u>\$ 3,223,033</u></u>	<u><u>34,901</u></u>	<u><u>(35,121)</u></u>	<u><u>3,222,813</u></u>
Segment's profit or loss	<u><u>\$ 383,103</u></u>	<u><u>(7,003)</u></u>	<u><u>(3,887)</u></u>	<u><u>372,213</u></u>
For the three months ended September 30				
2019				
			Adjustments and eliminations	
	Thailand	Other		Total
Revenue				
Revenue from external customers	\$ 2,806,299	-	-	2,806,299
Revenue from transactions with other operating segments	-	23,833	(23,833)	-
Total revenue	<u><u>\$ 2,806,299</u></u>	<u><u>23,833</u></u>	<u><u>(23,833)</u></u>	<u><u>2,806,299</u></u>
Segment's profit or loss	<u><u>\$ 274,313</u></u>	<u><u>(6,712)</u></u>	<u><u>290</u></u>	<u><u>267,891</u></u>

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

For the nine months ended September 30				
2020				
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 8,810,606	25	-	8,810,631
Revenue from transactions with other operating segments	1,967	97,146	(99,113)	-
Total revenue	<u>\$ 8,812,573</u>	<u>97,171</u>	<u>(99,113)</u>	<u>8,810,631</u>
Segment's profit or loss	<u>\$ 1,049,490</u>	<u>(27,443)</u>	<u>(11,253)</u>	<u>1,010,794</u>
For the nine months ended September 30				
2019				
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 8,108,614	-	-	8,108,614
Revenue from transactions with other operating segments	-	83,971	(83,971)	-
Total revenue	<u>\$ 8,108,614</u>	<u>83,971</u>	<u>(83,971)</u>	<u>8,108,614</u>
Segment's profit or loss	<u>\$ 822,328</u>	<u>(23,161)</u>	<u>148</u>	<u>799,315</u>