

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

Consolidated Financial Statements

With Independent Auditors' Report

For the Six Months Ended June 30, 2021 and 2020

**(The financial information for the six months ended June 30, 2020
being reviewed only)**

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

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Apex International Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of June 30, 2021, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2021, changes in equity and cash flows for the six months ended June 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021, and its consolidated financial performance for the three months and six months ended June 30, 2021, and its consolidated cash flow for the six months ended June 30, 2021 in accordance with the Regulation 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.

Basis for Opinion

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

Other Matter

The consolidated financial statements as of and for the six months ended June 30, 2020 were reviewed by us and we issued a review report with an unqualified conclusion on those financial statements on August 11, 2020. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements for the six months ended June 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to note 4(n) "Recognition of Revenue" of the consolidated financial statements for the year ended December 31, 2020 for accounting policy related to revenue recognition, and note 6(r) for the information related to revenue of the consolidated financial statements.

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures included:

- Assessing and testing the design, as well as the effectiveness of the operation on the control over sales and collection cycle.
- Performing comparison analysis on sales of the current period to last period and the latest quarter, and performing trend analysis on operating income from each top ten customer to assess the existence of any significant exceptions, and further identify and analyze the reasons if there is any significant exception.
- Performing test-of-detail of sales for the six months ended June 30, 2021, to assess the assertions of existence and accuracy, as well as the appropriateness of recognition.
- Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether sales of goods, sales returns and allowances have been appropriately recognized.

2. Subsequent measurements of inventories

Please refer to note 4(h) "Inventories" and note 5(a) of the consolidated financial statements for the year ended December 31, 2020 for accounting policy related to subsequent measurements of inventories, and accounting assumptions and estimation uncertainties of inventories, respectively. Please refer to note 6(e) for information related to impairment of inventories of the consolidated financial statements.

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures included:

- Assessing whether appropriate provision policies for inventories are applied.
- Assessing whether the Group's subsequent measurement of inventories has been evaluated in accordance with the Group's provision policy on a consistent basis.

- Obtaining aging analysis of inventories, assessing the appropriateness of provision set aside for obsolete and slow-moving inventories, and examining relevant documents to verify the accuracy of the aging period.
- Obtaining evaluation report of the net realizable value of inventories, assessing the appropriateness of provision set aside for loss on market price decline, and examining relevant documents to verify the accuracy of sales prices and calculation of net realizable value.

3. Impairment of goodwill

Please refer to note 4(m) "Impairment of non-derivative financial assets" and note 5(b) of the consolidated financial statements for the year ended December 31, 2020 for accounting policy related to impairment of goodwill, and accounting assumptions and estimation uncertainties of impairment of goodwill, respectively. Please refer to note 6(i) "Intangible assets" for description related to measurements of impairment of goodwill of the consolidated financial statements.

How the matter was addressed in our audit:

Goodwill arising from the Merger & Acquisition transaction taken by the Group. Due to the assessment of impairment of goodwill involved forecasting and discounting future cash flows along with several key assumptions, such key assumptions and assessment subject to the management's judgements and the inherent uncertainty is considered as high. Therefore, the impairment of goodwill was considered to be one of the key audit matters in our audit.

Our principal audit procedures included:

- Obtaining the evaluation report from the external expert and assessing the objectivity and the professional competence of the external expert.
- Assessing the reasonableness of the cash flows forecast and engaging the internal expert to assess the methods, discount rate and other assumptions applied in the evaluation report.
- Performing retrospective testing over the future cash flows forecast compiled by the management.
- Performing sensitivity analysis of key assumptions to understand the impact of recoverability from changing of key assumptions.
- Assessing whether the goodwill is impaired, if so, whether the impairment loss has been recognized appropriately.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee or supervisors) are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
August 19, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Consolidated balance sheet as of June 30, 2020 was reviewed only, not audited in accordance with generally accepted auditing standards
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets
June 30, 2021, December 31, 2020, and June 30, 2020
(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2021		December 31, 2020		June 30, 2020			June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets													
11xx Current assets:							21xx Current liabilities:						
1100 Cash and cash equivalents (note 6(a))	\$ 1,151,516	7	821,682	5	873,746	6	2100 Short-term loans (notes 6(g), (j), 7, 8 and 9)	\$ 1,701,243	10	1,369,949	9	1,143,680	8
1110 Financial assets measured at fair value through profit or loss – current (note 6(b))	23,274	-	10,592	-	412	-	2120 Financial liabilities measured at fair value through profit or loss – current (note 6(b))	65	-	8,279	-	5,313	-
1150 Notes receivable, net (notes 6(c) and (r))	796	-	661	-	4,959	-	2170 Accounts payable	3,097,483	18	2,434,679	16	2,517,065	18
1170 Accounts receivable, net (notes 6(c) and (r))	3,618,926	21	3,683,750	24	3,197,044	23	2200 Other payables (note 6(p))	549,476	3	504,209	4	487,283	4
1200 Other receivables (note 6(d))	119,658	1	71,042	-	48,673	-	2213 Payable for machinery and equipment	845,221	5	499,952	3	347,687	3
130x Inventories (note 6(e))	2,748,833	16	2,227,880	15	2,301,921	17	2216 Dividend payable (note 6(p))	-	-	-	-	569,799	4
1470 Other current assets	154,415	1	110,197	1	70,990	1	2230 Current tax liabilities	41,205	-	20,678	-	5,036	-
Total current assets	7,817,418	46	6,925,804	45	6,497,745	47	2280 Current lease liabilities (notes 6(h) and (m))	47,836	-	71,422	-	108,645	1
15xx Non-current assets:							2322 Current portion of long-term loans (notes 6(a), (g), (k), 7 and 8)	419,026	3	297,010	2	137,436	1
1600 Property, plant and equipment (notes 6(g), (h), (i), (j), (k), (s), 8 and 9)	8,693,319	50	7,516,542	49	6,547,108	48	2399 Other current liabilities	37,171	-	38,479	-	14,914	-
1755 Right-of-use asset (notes 6(g), (h) and (m))	181,160	1	297,935	2	378,235	3	Total current liabilities	6,738,726	39	5,244,657	34	5,336,858	39
1780 Intangible assets (notes 6(g) and (i))	180,519	1	188,097	2	193,669	1	25xx Non-current liabilities:						
1840 Deferred tax assets	23,097	-	25,160	-	15,355	-	2540 Long-term loans (notes 6(a), (g), (k), 7 and 8)	2,713,170	16	2,030,917	13	927,507	7
1915 Prepayment for equipment (note 6(g))	333,905	2	302,559	2	61,794	1	2570 Deferred tax liabilities	50,960	-	55,751	-	49,667	-
1920 Refundable deposits	7,690	-	7,954	-	7,872	-	2580 Non-current lease liabilities (notes 6(h) and (m))	87,161	1	73,633	1	56,789	-
1980 Other financial assets – non-current (notes 6(a), (b), (k) and 8)	5,559	-	4,311	-	2,738	-	2612 Long-term payable	159,159	1	135,118	1	108,611	1
Total non-current assets	9,425,249	54	8,342,558	55	7,206,771	53	2670 Other non-current liabilities (note 6(n))	69,504	-	67,315	1	69,252	1
							Total non-current liabilities	3,079,954	18	2,362,734	16	1,211,826	9
							Total liabilities	9,818,680	57	7,607,391	50	6,548,684	48
							2xxx Equity attributable to owners of parent (notes 6(l) and (p)):						
							31xx Common stock	1,899,380	11	1,899,380	12	1,899,380	14
							3200 Capital surplus	2,405,512	14	2,405,512	16	2,405,512	18
							3300 Retained earnings	3,771,699	22	3,325,984	22	2,758,109	20
							3410 Exchange differences on translation of foreign financial statements	(683,296)	(4)	(6,244)	-	58,631	-
							Total equity attributable to owners of parent	7,393,295	43	7,624,632	50	7,121,632	52
							36xx Non-controlling interests	30,692	-	36,339	-	34,200	-
							3xxx Total equity	7,423,987	43	7,660,971	50	7,155,832	52
1xxx Total assets	\$ 17,242,667	100	15,268,362	100	13,704,516	100	2-3xxx Total liabilities and equity	\$ 17,242,667	100	15,268,362	100	13,704,516	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 were reviewed only, not audited in accordance with generally accepted auditing standards**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the three months and six months ended June 30, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

	For the three months ended				For the six months ended				
	June 30		June 30		June 30		June 30		
	2021	2020	2021	2020	2021	2020	2021	2020	
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(r))	\$ 3,493,057	100	2,983,052	100	6,753,461	100	5,587,818	100
5000	Operating costs (notes 6(e), (g), (h), (i), (m) and (n))	2,825,758	81	2,310,584	78	5,469,952	81	4,356,091	78
5900	Gross profit from operations	667,299	19	672,468	22	1,283,509	19	1,231,727	22
6000	Operating expenses (notes 6(c), (g), (h), (i), (m), (n), (p) and 7):								
6100	Selling expenses	201,286	6	184,921	6	399,950	6	329,925	6
6200	Administrative expenses	157,670	5	135,844	4	307,882	5	279,541	5
6300	Research and development expenses	11,182	-	7,933	-	20,838	-	17,758	-
6450	Expected credit loss (reversal of expected credit loss)	(4,307)	-	730	-	50,126	1	(16,851)	-
	Total operating expenses	365,831	11	329,428	10	778,796	12	610,373	11
6900	Operating income	301,468	8	343,040	12	504,713	7	621,354	11
7000	Non-operating income and expenses (notes 6(b), (g), (l), (m) and (s)):								
7100	Interest income	146	-	582	-	291	-	649	-
7010	Other income	16,818	-	14,834	-	19,873	-	21,905	-
7020	Other gains and losses	(4,425)	-	2,554	-	(19,598)	-	19,548	-
7050	Finance costs	(6,144)	-	(9,190)	-	(14,222)	-	(24,875)	-
	Total non-operating income and expenses	6,395	-	8,780	-	(13,656)	-	17,227	-
7900	Profit from continuing operations before tax	307,863	8	351,820	12	491,057	7	638,581	11
7951	Less: Income tax expenses (note 6(o))	15,253	-	3,617	-	43,388	-	5,106	-
8200	Profit	292,610	8	348,203	12	447,669	7	633,475	11
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	(330,373)	(9)	310,570	10	(679,891)	(10)	(371,205)	(6)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(330,373)	(9)	310,570	10	(679,891)	(10)	(371,205)	(6)
8300	Other comprehensive income (loss)	(330,373)	(9)	310,570	10	(679,891)	(10)	(371,205)	(6)
8500	Total comprehensive income	\$ (37,763)	(1)	658,773	22	(232,222)	(3)	262,270	5
	Profit, attributable to:								
8610	Owners of parent	\$ 291,331	8	346,723	12	445,715	7	630,741	11
8620	Non-controlling interests	1,279	-	1,480	-	1,954	-	2,734	-
		\$ 292,610	8	348,203	12	447,669	7	633,475	11
	Comprehensive income attributable to:								
8710	Owners of parent	\$ (37,655)	(1)	655,989	22	(231,337)	(3)	261,096	5
8720	Non-controlling interests	(108)	-	2,784	-	(885)	-	1,174	-
		\$ (37,763)	(1)	658,773	22	(232,222)	(3)	262,270	5
	Basic earnings per share (expressed in New Taiwan dollars) (note 6(q))								
9750	Basic earnings per share	\$ 1.53		1.83		2.35		3.32	
9850	Diluted earnings per share	\$ 1.53		1.83		2.35		3.32	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Consolidated statement of changes in equity for the six months ended June 30, 2020 was 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 six months ended June 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Common stock	Capital surplus	Retained earnings			Exchange differences on translation of foreign operation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Special reserve	Unappropriated retained earnings	Total				
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	-	-	-	630,741	630,741	-	630,741	2,734	633,475
Other comprehensive income	-	-	-	-	-	(369,645)	(369,645)	(1,560)	(371,205)
Total comprehensive income	-	-	-	630,741	630,741	(369,645)	261,096	1,174	262,270
Conversion of convertible bonds	8,971	8,886	-	-	-	-	17,857	-	17,857
Changes in non-controlling interests	-	-	-	-	-	-	-	15	15
Balance at June 30, 2020	<u>\$ 1,899,380</u>	<u>2,405,512</u>	<u>300,256</u>	<u>2,457,853</u>	<u>2,758,109</u>	<u>58,631</u>	<u>7,121,632</u>	<u>34,200</u>	<u>7,155,832</u>
Balance at January 1, 2021	\$ 1,899,380	2,405,512	300,256	3,025,728	3,325,984	(6,244)	7,624,632	36,339	7,660,971
Profit	-	-	-	445,715	445,715	-	445,715	1,954	447,669
Other comprehensive income	-	-	-	-	-	(677,052)	(677,052)	(2,839)	(679,891)
Total comprehensive income	-	-	-	445,715	445,715	(677,052)	(231,337)	(885)	(232,222)
Cash dividends distributed to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(4,762)	(4,762)
Balance at June 30, 2021	<u>\$ 1,899,380</u>	<u>2,405,512</u>	<u>300,256</u>	<u>3,471,443</u>	<u>3,771,699</u>	<u>(683,296)</u>	<u>7,393,295</u>	<u>30,692</u>	<u>7,423,987</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Consolidated statement of cash flows for the six months ended June 30, 2020 was reviewed only, not audited in accordance with generally accepted auditing standards**APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the six months ended June 30, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 491,057	638,581
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	389,600	366,395
Amortization expense	8,429	7,392
Expected credit loss (reversal of expected credit loss)	50,126	(16,851)
Interest expense	14,222	24,875
Interest income	(291)	(649)
Loss (gain) on disposal of property, plant and equipment	(189)	6,773
Impairment loss on non-financial assets	8,221	7,417
Lease modification gain	(27)	-
Total adjustments to reconcile profit	<u>470,091</u>	<u>395,352</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss	(12,682)	3,058
Notes receivable	(135)	(4,556)
Accounts receivable	14,698	(202,276)
Other receivables	(48,616)	(12,947)
Inventories	(520,953)	(438,269)
Other current assets	(44,218)	(12,579)
Total changes in operating assets	<u>(611,906)</u>	<u>(667,569)</u>
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss	(8,214)	2,023
Notes payable	-	(7)
Accounts payable	662,804	1,069,343
Other payables	44,442	94,633
Other current liabilities	(1,308)	(6,196)
Other non-current liabilities	2,189	3,299
Total changes in operating liabilities	<u>699,913</u>	<u>1,163,095</u>
Total changes in operating assets and liabilities	<u>88,007</u>	<u>495,526</u>
Total adjustments	<u>558,098</u>	<u>890,878</u>
Cash inflow generated from operations	1,049,155	1,529,459
Interest received	291	649
Interest paid	(16,071)	(27,405)
Income taxes paid	(19,974)	(2,697)
Net cash flows from operating activities	<u>1,013,401</u>	<u>1,500,006</u>
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	(1,485,903)	(570,428)
Proceeds from disposal of property, plant and equipment	16,344	1,288
Decrease in refundable deposits	264	298
Acquisition of intangible assets	(15,335)	(3,086)
Decrease (increase) in other non-current financial assets	(1,248)	3,464
Increase in prepayments for equipment	(382,721)	(135,449)
Net cash flows used in investing activities	<u>(1,868,599)</u>	<u>(867,855)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	471,363	160,056
Proceeds from long-term loans	2,801,447	422,572
Repayments of long-term loans	(1,788,215)	(423,698)
Payment of lease liabilities	(50,780)	(76,510)
Cash dividends distributed to non-controlling interests	(4,762)	-
Net cash flows from financing activities	<u>1,429,053</u>	<u>82,420</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(244,021)</u>	<u>(140,726)</u>
Net increase in cash and cash equivalents	329,834	573,845
Cash and cash equivalents at beginning of period	821,682	299,901
Cash and cash equivalents at end of period	<u>\$ 1,151,516</u>	<u>873,746</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
The consolidated financial statements as of and for the six months ended June 30, 2020 were reviewed only, not audited in accordance with generally accepted auditing standards
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

(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. For the related information, please refer to note 14 of the consolidated financial statements for the year ended December 31, 2020. The Company and its subsidiaries are hereinafter referred to as the Group.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on August 19, 2021.

(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. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”

(Continued)

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

- Amendments to IAS 37 “Onerous Contracts— Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”

(4) Summary of significant accounting policies:

(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 by the FSC) for a complete set of the annual consolidated financial statements.

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 statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the 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, 2020. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2020.

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

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)		
			June 30, 2021	December 31, 2020	June 30, 2020
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 %	99.99 %	99.99 %
Apex Circuit (Thailand)	Apex IPO (Dong Guan) Ltd. (APC)	Supply chain integration	100.00 %	100.00 %	100.00 %
APS	Shye Feng (Singapore) Pte. Ltd. (APSS)	PCB sales development	100.00 %	100.00 %	100.00 %

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

(c) 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.

(d) 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 using the effective annual tax rate as forecasted by the management, and any resulting current and deferred tax expense should be recognized accordingly.

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

(Continued)

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(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, 2020. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash	\$ 3,390	6,319	6,200
Demand deposits	1,066,145	789,182	545,214
Checking deposits	9,491	17,629	76,154
Time deposits	<u>72,490</u>	<u>8,552</u>	<u>246,178</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 1,151,516</u>	<u>821,682</u>	<u>873,746</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:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Restricted bank deposit	\$ <u>5,559</u>	<u>4,311</u>	<u>2,738</u>

Please refer to note 8 for more information on the collateral for derivative instruments not used for hedging and long-term loans.

(Continued)

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— Current

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>23,274</u>	<u>10,592</u>	<u>412</u>

(ii) Financial liabilities measured at fair value— Current

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial liabilities held-for- trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>65</u>	<u>8,279</u>	<u>5,313</u>

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

The Group uses derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to arising from its operating, financing, and investing activities. As these derivative financial instruments did not qualify for hedge accounting, the Group held the following derivative financial instruments as held-for-trading financial assets (liabilities) as of June 30, 2021, December 31, 2020, and June 30, 2020.

Forward exchange contracts:

	<u>June 30, 2021</u>				<u>Fair value of assets (liabilities)</u>
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>		
Forward exchange purchased	USD 23,000	USD to THB	2021.8.2 ~2021.12.17	\$	<u>23,274</u>
Forward exchange purchased	USD 2,000	USD to THB	2022.1.4	\$	<u>(65)</u>

(Continued)

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

December 31, 2020				
	Amount	Currency	Maturity dates	Fair value of assets (liabilities)
	(in thousands)			
Forward exchange sold	USD 8,000	USD to THB	2021.1.12 ~2021.2.25	\$ 10,592
Forward exchange purchased	USD 6,000	USD to THB	2021.1.4	\$ (6,240)
Forward exchange purchased	USD 5,000	NTD to USD	2021.1.20	(2,039)
				\$ (8,279)
June 30, 2020				
	Amount	Currency	Maturity dates	Fair value of assets (liabilities)
	(in thousands)			
Forward exchange sold	USD 4,000	USD to THB	2020.08.07 ~2020.08.07	\$ 412
Forward exchange sold	USD 1,000	USD to THB	2020.07.10 ~2020.07.10	\$ (650)
Forward exchange purchased	USD 12,000	NTD to USD	2020.07.13 ~2021.01.04	(4,663)
				\$ (5,313)

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

Please refer to note 8 for more information on the collateral for derivative instruments not used for hedging.

(c) Notes receivable and accounts receivable

	June 30, 2021	December 31, 2020	June 30, 2020
Notes receivable	\$ 796	661	4,959
Accounts receivable	3,672,979	3,690,646	3,200,324
Less: loss allowance	(54,053)	(6,896)	(3,280)
	\$ 3,619,722	3,684,411	3,202,003

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 the regions that customers stand for, shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomics and relevant industry information.

(Continued)

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 the regions of Taiwan and Mainland China were as follows:

	June 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 413,465	0.58	2,378
Past due 1~30 days	107,191	2.26	2,423
Past due 31~60 days	66,100	8.67	5,731
Past due 61~90 days	1,370	15.11	207
Past due 91~120 days	6,054	21.82	1,321
Past due over 180 days	3,302	100.00	3,302
	\$ 597,482		15,362
	December 31, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 474,579	-	-
Past due 1~30 days	110,751	-	-
Past due 31~60 days	48,870	-	-
Past due 61~90 days	17,002	-	-
Past due 121~180 days	721	42.30	305
Past due over 180 days	5	100.00	5
	\$ 651,928		310
	June 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 431,770	-	-
Past due 1~30 days	66,978	-	-
Past due 31~60 days	16,762	-	-
Past due 61~90 days	3,857	-	-
Past due 91~120 days	270	20.37	55
Past due 121~180 days	433	48.27	209
Past due over 180 days	5	100.00	5
	\$ 520,075		269

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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 the regions of Japan and Korea were as follows:

	June 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 906,697	-	-
Past due 1~30 days	154,432	-	-
Past due 31~60 days	6,418	-	-
	\$ 1,067,547		-
	December 31, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 261,135	-	-
Past due 1~30 days	17,402	-	-
Past due 31~60 days	1,872	-	-
Past due 91~120 days	78	26.92	21
	\$ 280,487		21
	June 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 312,194	-	-
Past due 1~30 days	10,295	-	-
Past due 31~60 days	4,060	-	-
	\$ 326,549		-

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

	June 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,843	100.00	1,843

(Continued)

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

	December 31, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,890	100.00	1,890
	June 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,960	100.00	1,960

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

	June 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,103,916	0.01	117
Past due 1~30 days	130,576	0.06	72
Past due 31~60 days	18,457	1.25	230
Past due 61~90 days	6,479	-	-
Past due 91~120 days	2,054	-	-
Past due 121~180 days	828	43.24	359
Past due over 180 days	192	100.00	192
	\$ 1,262,502		970

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 \$34,850 thousand.

(Continued)

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

	December 31, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,615,811	0.01	125
Past due 1~30 days	302,963	0.03	86
Past due 31~60 days	33,862	1.47	497
Past due 61~90 days	26,084	0.38	99
Past due 121~180 days	80	32.50	26
Past due over 180 days	<u>237</u>	100.00	<u>237</u>
	<u>\$ 1,979,037</u>		<u>1,070</u>
	June 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,424,846	0.01	163
Past due 1~30 days	228,647	0.08	179
Past due 31~60 days	2,748	12.99	357
Past due 61~90 days	121	46.28	56
Past due 91~120 days	51	39.22	20
Past due 121~180 days	<u>296</u>	48.31	<u>143</u>
	<u>\$ 1,656,709</u>		<u>918</u>

The Group's analyses of the expected credit loss on its accounts receivable in the Western region (Europe and America) were as follows:

	June 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 592,760	0.09	531
Past due 1~30 days	105,242	0.33	352
Past due 31~60 days	11,522	1.25	144
Past due 61~90 days	<u>27</u>	3.70	<u>1</u>
	<u>\$ 709,551</u>		<u>1,028</u>

(Continued)

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

	December 31, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 564,569	0.10	553
Past due 1~30 days	52,134	0.51	264
Past due 31~60 days	149,793	1.37	2,051
Past due 61~90 days	8,953	3.42	306
Past due 91~120 days	873	10.88	95
Past due 121~180 days	1,491	12.34	184
Past due over 180 days	152	100.00	152
	\$ 777,965		3,605
	June 30, 2020		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 639,919	0.01	33
Past due 1~30 days	28,950	0.04	13
Past due 31~60 days	9,172	0.06	6
Past due 61~90 days	2,167	0.07	1
Past due 91~120 days	4,029	0.13	5
Past due 121~180 days	15,753	0.47	75
	\$ 699,990		133

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

	For the six months ended June 30	
	2021	2020
Balance at the beginning	\$ 6,896	21,041
Acquisition through business combination	-	318
Impairment losses (reversal gain)	50,126	(16,851)
Foreign exchange losses	(2,969)	(1,228)
Balance at the ending	\$ 54,053	3,280

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

(d) Other receivables

	June 30, 2021	December 31, 2020	June 30, 2020
Other receivables	<u>\$ 119,658</u>	<u>71,042</u>	<u>48,673</u>

The Group does not have any past due other receivables as of June 30, 2021, December 31, 2020, and June 30, 2020.

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

(e) Inventories

	June 30, 2021		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 769,642	(47,334)	722,308
Work in process	444,835	(14,757)	430,078
Finished goods	770,884	(73,173)	697,711
Supplies and spare parts	527,080	(38,742)	488,338
Goods in transit	397,495	-	397,495
Merchandise inventory	12,903	-	12,903
Total	<u>\$ 2,922,839</u>	<u>(174,006)</u>	<u>2,748,833</u>

	December 31, 2020		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 696,155	(41,558)	654,597
Work in process	341,756	(6,428)	335,328
Finished goods	689,798	(22,113)	667,685
Supplies and spare parts	465,241	(43,919)	421,322
Goods in transit	142,978	-	142,978
Merchandise inventory	5,970	-	5,970
Total	<u>\$ 2,341,898</u>	<u>(114,018)</u>	<u>2,227,880</u>

(Continued)

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

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

For the six months ended June 30, 2021 and 2020, 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 June 30		For the six months ended June 30	
	2021	2020	2021	2020
Allowance for inventory valuation and obsolescence losses (reversal gain)	\$ 45,634	3,991	73,259	(801)
Revenue from sale of scrap	(120,256)	(63,333)	(229,352)	(118,318)
Loss on inventory obsolescence	77,590	91,352	148,414	154,606
	\$ 2,968	32,010	(7,679)	35,487

As of June 30, 2021, December 31, 2020, and June 30, 2020, 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 would 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.

Please refer to note 6(f) of the 2020 consolidated financial statements for related information on the acquisition.

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

(g) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the six months ended June 30, 2021 and 2020, were as follows:

	Land	Land improvement	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvement	Unfinished construction and equipment undergoing acceptance testing	Total
Cost:									
Balance at January 1, 2021	\$ 740,846	8,066	2,323,404	7,908,213	15,960	474,606	17,855	1,047,902	12,536,852
Additions	-	-	53,417	214,805	25	60,211	6,301	1,520,454	1,855,213
Disposals	-	-	(1,461)	(51,754)	-	(2,076)	-	-	(55,291)
Reclassification (notes 1, 2 and 3)	-	-	30,024	559,511	-	133	-	(102,629)	487,039
Translation effect	(63,663)	(693)	(144,220)	(465,751)	3,754	(42,271)	(1,649)	(157,261)	(871,754)
Balance at June 30, 2021	<u>\$ 677,183</u>	<u>7,373</u>	<u>2,261,164</u>	<u>8,165,024</u>	<u>19,739</u>	<u>490,603</u>	<u>22,507</u>	<u>2,308,466</u>	<u>13,952,059</u>
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
Acquisition through business combination	38,489	-	65,250	39,118	2,391	1,275	-	4,879	151,402
Additions	96,477	203	36,777	280,744	6	18,566	2,793	363,281	798,847
Disposals	-	-	-	(265,408)	-	(1,302)	-	-	(266,710)
Reclassification (notes 1 and 3)	-	-	25,408	245,873	-	2	-	(81,203)	190,080
Translation effect	(17,646)	(399)	(116,203)	(385,958)	(1,007)	(22,221)	(416)	(6,776)	(550,626)
Balance at June 30, 2020	<u>\$ 468,857</u>	<u>8,139</u>	<u>2,309,081</u>	<u>7,681,634</u>	<u>14,302</u>	<u>461,105</u>	<u>13,279</u>	<u>485,133</u>	<u>11,441,530</u>
Accumulated depreciation and impairment losses:									
Balance at January 1, 2021	\$ -	4,834	902,104	3,783,721	12,619	306,078	10,954	-	5,020,310
Depreciation	-	408	66,313	193,443	604	23,683	1,153	-	285,604
Impairment loss	-	-	-	8,221	-	-	-	-	8,221
Disposals	-	-	(535)	(36,659)	-	(1,942)	-	-	(39,136)
Reclassification (note 3)	-	-	-	118,902	-	-	-	-	118,902
Translation effect	-	(435)	(21,312)	(90,524)	4,012	(26,090)	(812)	-	(135,161)
Balance at June 30, 2021	<u>\$ -</u>	<u>4,807</u>	<u>946,570</u>	<u>3,977,104</u>	<u>17,235</u>	<u>301,729</u>	<u>11,295</u>	<u>-</u>	<u>5,258,740</u>
Balance at January 1, 2020	\$ -	4,231	826,368	3,921,969	10,384	278,836	8,908	-	5,050,696
Depreciation	-	410	63,157	241,091	1,588	22,032	1,048	-	329,326
Impairment loss	-	-	-	7,417	-	-	-	-	7,417
Disposals	-	-	-	(257,468)	-	(1,181)	-	-	(258,649)
Reclassification (note 3)	-	-	-	24,050	-	(2)	-	-	24,048
Translation effect	-	(199)	(42,180)	(201,782)	(751)	(13,168)	(336)	-	(258,416)
Balance at June 30, 2020	<u>\$ -</u>	<u>4,442</u>	<u>847,345</u>	<u>3,735,277</u>	<u>11,221</u>	<u>286,517</u>	<u>9,620</u>	<u>-</u>	<u>4,894,422</u>
Carrying amount:									
Balance at January 1, 2021	<u>\$ 740,846</u>	<u>3,232</u>	<u>1,421,300</u>	<u>4,124,492</u>	<u>3,341</u>	<u>168,528</u>	<u>6,901</u>	<u>1,047,902</u>	<u>7,516,542</u>
Balance at June 30, 2021	<u>\$ 677,183</u>	<u>2,566</u>	<u>1,314,594</u>	<u>4,187,920</u>	<u>2,504</u>	<u>188,874</u>	<u>11,212</u>	<u>2,308,466</u>	<u>8,693,319</u>
Balance at June 30, 2020	<u>\$ 468,857</u>	<u>3,697</u>	<u>1,461,736</u>	<u>3,946,357</u>	<u>3,081</u>	<u>174,588</u>	<u>3,659</u>	<u>485,133</u>	<u>6,547,108</u>

- Note 1: The cost of \$325,195 thousand and \$95,389 thousand, respectively, were transferred from prepayments for equipment for the six months ended June 30, 2021 and 2020.
- Note 2: The cost of \$2,093 thousand was reclassified from equipment undergoing acceptance testing of property, plant and equipment to intangible assets for the six months ended June 30, 2021.
- Note 3: The cost of \$163,937 thousand and \$118,902 thousand, respectively, accumulated depreciation of \$94,691 thousand and \$24,048 thousand, respectively, were reclassified from right-of-use assets for the six months ended June 30, 2021 and 2020.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Group tested the majority of the idle 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 June 30		For the six months ended June 30	
	2021	2020	2021	2020
	Impairment loss	\$ 4,255	4,229	8,221

The Group used fair value less selling cost to calculate the recoverable amount as the basis to measure the impairment of the idle 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 transportation equipment. Information about leases for which the Group as a lessee is presented below:

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Total
Cost:					
Balance at January 1, 2021	\$ 101,810	298,022	41,670	1,418	442,920
Additions	27,446	21,198	5,196	-	53,840
Disposals	(1,754)	-	-	-	(1,754)
Reclassification	-	(163,937)	-	-	(163,937)
Translation effect	(8,740)	(18,844)	(3,808)	(122)	(31,514)
Balance at June 30, 2021	\$ 118,762	136,439	43,058	1,296	299,555
Balance at January 1, 2020	\$ 107,596	526,283	26,546	-	660,425
Acquisition through business combination	-	-	286	-	286
Additions	1,823	6,414	1,190	242	9,669
Reclassification	-	(94,691)	-	-	(94,691)
Translation effect	(4,736)	(26,388)	(1,291)	3	(32,412)
Balance at June 30, 2020	\$ 104,683	411,618	26,731	245	543,277
Accumulated depreciation and impairment losses:					
Balance at January 1, 2021	\$ 28,517	96,275	19,950	243	144,985
Depreciation	15,821	82,843	5,086	246	103,996
Disposals	(585)	-	-	-	(585)
Reclassification	-	(118,902)	-	-	(118,902)
Translation effect	(2,554)	(6,563)	(1,949)	(33)	(11,099)
Balance at June 30, 2021	\$ 41,199	53,653	23,087	456	118,395

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance at January 1, 2020	\$ 27,261	121,793	10,386	-	159,440
Depreciation	13,276	18,767	4,996	30	37,069
Reclassification	-	(24,048)	-	-	(24,048)
Translation effect	(1,039)	(5,928)	(453)	1	(7,419)
Balance at June 30, 2020	<u>\$ 39,498</u>	<u>110,584</u>	<u>14,929</u>	<u>31</u>	<u>165,042</u>
Carrying amount:					
Balance at January 1, 2021	<u>\$ 73,293</u>	<u>201,747</u>	<u>21,720</u>	<u>1,175</u>	<u>297,935</u>
Balance at June 30, 2021	<u>\$ 77,563</u>	<u>82,786</u>	<u>19,971</u>	<u>840</u>	<u>181,160</u>
Balance at June 30, 2020	<u>\$ 65,185</u>	<u>301,034</u>	<u>11,802</u>	<u>214</u>	<u>378,235</u>

(i) Intangible assets

The cost, amortization, and impairment losses for the intangible assets of the Group for the six months ended June 30, 2021 and 2020, were as follows:

	<u>Goodwill</u>	<u>Operating procedure</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
Costs:					
Balance at January 1, 2021	\$ 119,155	3,110	40,789	112,334	275,388
Addition	-	-	-	15,335	15,335
Reclassification from property, plant and equipment	-	-	-	2,093	2,093
Translation effect	(10,240)	(267)	(3,505)	(10,407)	(24,419)
Balance at June 30, 2021	<u>\$ 108,915</u>	<u>2,843</u>	<u>37,284</u>	<u>119,355</u>	<u>268,397</u>
Balance at January 1, 2020	\$ -	-	-	111,021	111,021
Acquisition through business combinations	126,315	3,298	43,240	259	173,112
Additions	-	-	-	3,086	3,086
Translation effect	(6,084)	(159)	(2,082)	(5,307)	(13,632)
Balance at June 30, 2020	<u>\$ 120,231</u>	<u>3,139</u>	<u>41,158</u>	<u>109,059</u>	<u>273,587</u>
Amortization and impairment loss:					
Balance at January 1, 2021	\$ -	622	4,079	82,590	87,291
Amortization	-	298	1,957	6,174	8,429
Translation effect	-	(67)	(443)	(7,332)	(7,842)
Balance at June 30, 2021	<u>\$ -</u>	<u>853</u>	<u>5,593</u>	<u>81,432</u>	<u>87,878</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, 2020	\$ -	-	-	76,097	76,097
Amortization	-	310	2,034	5,048	7,392
Translation effect	-	4	24	(3,599)	(3,571)
Balance at June 30, 2020	<u>\$ -</u>	<u>314</u>	<u>2,058</u>	<u>77,546</u>	<u>79,918</u>
Carrying amount:					
Balance at January 1, 2021	<u>\$ 119,155</u>	<u>2,488</u>	<u>36,710</u>	<u>29,744</u>	<u>188,097</u>
Balance at June 30, 2021	<u>\$ 108,915</u>	<u>1,990</u>	<u>31,691</u>	<u>37,923</u>	<u>180,519</u>
Balance at June 30, 2020	<u>\$ 120,231</u>	<u>2,825</u>	<u>39,100</u>	<u>31,513</u>	<u>193,669</u>

The goodwill amounted to THB 125,176 thousand for the group arising from the acquisition of APS at January 1, 2020 is mainly attributed to utilizing the current capacity of APS, so that diversification of products is achieved for the Group. According to IFRS 36, impairment test on goodwill arising from business combination should at least be performed annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, that are expected to benefit from the synergies of the combination. APS itself is a separate cash-generating unit that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of APS with its carrying amount to determine whether an impairment loss should be recognized.

The external expert report regarding to asset impairment test issued by an expert engaged by the Group had been prepared based on the APS's financial forecast covering 2021 to 2025. The projection of operating revenue over the forecast period was made based on the geographical location and product types. Therefore, the consolidated financial statements mainly evaluate and illustrate whether the actual operating revenue and gross profit margin achieves the forecast operating revenue and gross profit margin for the six months ended June 30, 2021. For the six months ended June 30, 2021, the actual operating revenue was higher than projected; however, the gross profit margin was lower than the forecast due to the increase of the price of raw material at the end of 2020.

Based on the result of value-in-use calculation, the recoverable amount of APS of THB 512,342 thousand, which is higher in comparison to the book value. Therefore, no impairment is recognized.

The recoverable amount of APS had been determined based on a value in use calculation. The calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated into the future using the estimated growth rate described below. The key assumptions used in the value in use calculation are as follows:

- (i) Projections on the cash flows are based on historical experience, actual operational results, and corporate strategic plans for the following five years.
- (ii) The after-tax discount rate is based on the Group's weighted-average cost of capital. As of April 30, 2021, the adopted discount rate is 13.20%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the Thailand government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels past experience and the estimated sales volume, and price growth for the next five years.

(j) Short-term loans

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Secured loans	\$ 114,826	33,317	127,525
Unsecured loans	<u>1,586,417</u>	<u>1,336,632</u>	<u>1,016,155</u>
Total	<u>\$ 1,701,243</u>	<u>1,369,949</u>	<u>1,143,680</u>
Unused credit line	<u>\$ 2,797,308</u>	<u>3,916,525</u>	<u>4,093,743</u>
Interest rate (%)	<u>0.29~2.95</u>	<u>0.32~4.09</u>	<u>0.56~4.09</u>

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

(k) Long-term loans

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Secured loans	\$ 2,317,599	1,721,901	711,643
Unsecured loans	818,608	611,228	356,090
Less: deferred financing fee	<u>(4,011)</u>	<u>(5,202)</u>	<u>(2,790)</u>
Subtotal	3,132,196	2,327,927	1,064,943
Less: current portion	<u>(419,026)</u>	<u>(297,010)</u>	<u>(137,436)</u>
Total	<u>\$ 2,713,170</u>	<u>2,030,917</u>	<u>927,507</u>
Unused credit line	<u>\$ 4,106,990</u>	<u>4,408,821</u>	<u>1,161,212</u>
Interest rate (%)	<u>0.99~4.00</u>	<u>1.05~3.75</u>	<u>1.08~5.25</u>
Maturity date	<u>2022.8~2026.2</u>	<u>2022.8~2025.10</u>	<u>2020.9~2023.12</u>

(i) Collateral for loans

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

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(ii) Loan contract

- 1) Apex Circuit (Thailand) entered into agreements with E. Sun Commercial Bank and E. Sun Bank (China). For the six months ended June 30, 2021, Apex Circuit (Thailand) has obtained a credit line of USD 20,000 thousand bearing an interest rate 0.98% and maturing in January 2026. The main commitment clauses in the contract are as follows:
 - a) The current ratio (current asset/current liability less current portion) must exceed 100%.
 - b) The debt ratio (liability/tangible equity) cannot exceed 180%.
 - c) Interest coverage ratio [(net income before tax + interest expense + depreciation + amortization) / interest expense] must exceed 300%.
 - d) The tangible equity (total equity - intangible asset) must exceed NTD \$4.5 billion.

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

- 2) Apex Circuit (Thailand) entered into agreements with Mega International Commercial Bank. For the six months ended June 30, 2021, Apex Circuit (Thailand) has obtained a credit line of THB 200,000 thousand bearing an interest rate 2.68 % and maturing in May 2024. The main commitment clauses in the contract are as follows:
 - a) The current ratio (current asset/current liability less current portion) must exceed 100%.
 - b) The debt ratio (liability/tangible equity) cannot exceed 180%.
 - c) Interest coverage ratio [(net income before tax + interest expense + depreciation + amortization) / interest expense] must exceed 300%.
 - d) The tangible equity (total equity - intangible asset) must exceed NTD \$5.0 billion.

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

- 3) The Group made an early repayment to the joint loan of the nine financial institutions, including First Commercial Bank, in the first half of 2021. However, the joint loan agreement has not yet expired, the Group still retains the underlying credit line.

(i) Corporate bonds payable

For the six months ended June 30, 2021 and 2020, the Group did not issue or buyback convertible bonds. Please refer to note 6(l) of the 2020 consolidated financial statements for related information. Please refer to note 6(p) for more information on the conversion of convertible bonds into common stock for the six months ended June 30, 2021 and 2020.

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

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

	For the year ended December 31, 2020	For the six months ended June 30, 2020
	Third unsecured convertible bond	Third unsecured convertible bond
Beginning balance	\$ 16	16
Valuation loss	(12)	(12)
Conversion	(4)	(4)
Ending balance	<u>\$ -</u>	<u>-</u>

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

	For the year ended December 31, 2020	For the six months ended June 30, 2020
	Third unsecured convertible bond	Third unsecured convertible bond
Beginning balance	\$ 839	839
Less: conversion	839	839
Ending balance	<u>\$ -</u>	<u>-</u>

(m) Lease liabilities

The amounts of leased liability were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Current	\$ 47,836	71,422	108,645
Non-current	87,161	73,633	56,789
	<u>\$ 134,997</u>	<u>145,055</u>	<u>165,434</u>

Please refer to note 6(t) for more information on maturity analysis.

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u>\$ 1,725</u>	<u>1,969</u>	<u>3,097</u>	<u>4,357</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>194</u>
Expenses relating to short-term leases	<u>\$ 620</u>	<u>692</u>	<u>958</u>	<u>1,186</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 149</u>	<u>4</u>	<u>450</u>	<u>28</u>

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

	<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Total cash outflow from operating activities	<u>\$ 4,505</u>	<u>5,765</u>
Total cash outflow from investing activities	<u>50,780</u>	<u>76,510</u>
Total cash outflow for leases	<u>\$ 55,285</u>	<u>82,275</u>

(i) Real estate leases

As of June 30, 2021, the Group leases buildings for its office space and warehouse. The leases of warehouse typically run for a period of 2 to 6 years, and of office for 1 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

(ii) Other leases

As of June 30, 2021, the Group leases office equipment and vehicles with lease terms of 1 to 7 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, 2020 and 2019.

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

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Operating costs	\$ 1,938	1,423	3,976	2,885
Administration expenses	1,121	1,395	2,299	2,828
	\$ 3,059	2,818	6,275	5,713

(ii) Defined contribution plans

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

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Administration expenses	\$ 243	238	479	462

(iii) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$7,750 thousand, \$6,294 thousand and \$6,111 thousand as of June 30, 2021, December 31, 2020, and June 30, 2020, respectively.

(o) Income taxes

The amounts of income tax for the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Current tax expense				
Current period	\$ 15,253	3,617	43,388	5,106

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 Apex Circuit (Thailand), 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 2020. The income tax return of AET's Taiwan Branch and the Company's Taiwan Branch had been approved by the Revenue department through 2019. The income tax of APC had been approved by the Revenue department through 2020.

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(p) Share capital and other equity

Except for the following, there were no significant changes in the Group's share capital and other equity for the six months ended June 30, 2021 and 2020. Please refer to note 6(p) of the 2020 consolidated financial statements for related information.

Reconciliation of shares outstanding for the six months ended June 30, 2021 and 2020, was as follows:

	Unit: Thousand shares	
	For the six months ended June 30	
	2021	2020
Balance at January 1	189,938	189,041
Conversion of convertible bonds	-	897
Balance at June 30	189,938	189,938

(i) Issuance of common stock

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

(ii) Distribution of earnings

According to the Articles of Association, if the Company is profitable during the given accounting year, then the Company is allowed to set aside a maximum amount of 2% of its net profit as remuneration to employees, directors, and supervisors. However, when experiencing a cumulative loss, the Company shall first appropriate a reserve amount to offset the cumulative loss. The Company's estimated remuneration for employees, directors and supervisors for the six months ended June 30, 2021 and 2020 was \$0 thousand and \$360 thousand, respectively. Should there be difference between the actual distribution amount that was resolved by shareholders' meeting and the estimated amount, it will be regarded as changes in accounting estimates and errors, and it will be adjusted in the Company's profit or loss for the given year.

On March 3, 2021, the employee remuneration, as well as remuneration to directors and supervisors of \$0 thousand and \$720 thousand, respectively, which were approved during the Company's Board of Directors meeting, were the same as those recognized in the 2020 financial statements. On July 2, 2021, the distribution of earnings were approved during the shareholders' meeting. The related information is available on the Market Observation Post System website.

On July 2, 2021 and On June 5, 2020, the shareholder's meetings resolved to appropriate the 2020 and 2019 earnings. These earnings were appropriated as follows:

	2020	2019
Dividends distributed to ordinary shareholders		
Cash	\$ 569,814	569,799

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On June 30, 2020, the distribution of 2019 earnings has yet to be paid, therefore recorded as dividend payable. As of June 30, 2021, electronic voting of the distribution of 2020 earnings has not reach the threshold of statutory resolution, therefore has yet to recorded as dividend payable. The related information about the earnings distributions that was resolved during the shareholder's meeting and board meeting is available on the Market Observation Post System website.

(q) Earnings per share

	For the three months		Unit: Thousand shares	
	ended June 30		For the six months	
	2021	2020	2021	2020
Basic EPS:				
Net income	\$ <u>291,331</u>	<u>346,723</u>	<u>445,715</u>	<u>630,741</u>
Weighted-average number of common shares outstanding	<u>189,938</u>	<u>189,934</u>	<u>189,938</u>	<u>189,698</u>
Basic EPS (New Taiwan Dollars)	\$ <u>1.53</u>	<u>1.83</u>	<u>2.35</u>	<u>3.32</u>
Diluted EPS:				
Net income	\$ 291,331	346,723	445,715	630,741
Influence of dilutive expenses	-	-	-	76
Net income for calculating diluted EPS	\$ <u>291,331</u>	<u>346,723</u>	<u>445,715</u>	<u>630,817</u>
Weighted-average number of common shares outstanding	189,938	189,934	189,938	189,698
Conversion of convertible bonds	-	4	-	240
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>1.53</u>	<u>1.83</u>	<u>2.35</u>	<u>3.32</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(r) Revenues from contracts with customers

(i) Disaggregation of revenue

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Primary geographical markets:				
Thailand	\$ 680,751	544,256	1,286,567	1,063,567
Singapore	601,524	436,132	1,227,833	1,023,205
Vietnam	560,635	413,107	984,657	652,761
Samoa	312,169	265,878	703,437	414,076
Korea	381,322	352,896	758,697	718,865
Other	<u>956,656</u>	<u>970,783</u>	<u>1,792,270</u>	<u>1,715,344</u>
	<u>\$ 3,493,057</u>	<u>2,983,052</u>	<u>6,753,461</u>	<u>5,587,818</u>
Main product/service line				
Single-layer PCB sales	\$ 170,146	139,753	321,165	282,016
Double-layer PCB sales	1,078,732	637,294	1,923,003	1,184,156
Multi-layer PCB sales	2,225,462	2,211,202	4,486,406	4,127,620
Other	22,924	2,407	30,769	7,475
Less: sales return and allowance	<u>(4,207)</u>	<u>(7,604)</u>	<u>(7,882)</u>	<u>(13,449)</u>
	<u>\$ 3,493,057</u>	<u>2,983,052</u>	<u>6,753,461</u>	<u>5,587,818</u>

(ii) Remaining balances of contract

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	Notes receivable	\$ 796	661
Accounts receivable	3,672,979	3,690,646	3,200,324
Less: loss allowance	<u>(54,053)</u>	<u>(6,896)</u>	<u>(3,280)</u>
Total	<u>\$ 3,619,722</u>	<u>3,684,411</u>	<u>3,202,003</u>

(s) Non-operating income and expenses

(i) Interest income

The details of interest income are as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest income on bank deposits	<u>\$ 146</u>	<u>582</u>	<u>291</u>	<u>649</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(ii) Other income

The details of other income are as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Income from cancellation of orders	\$ 11,728	5,024	11,733	9,250
Others	5,090	9,810	8,140	12,655
	<u>\$ 16,818</u>	<u>14,834</u>	<u>19,873</u>	<u>21,905</u>

(iii) Other gains and losses

The details of other gains and losses are as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Gains (Losses) on disposal of property, plant and equipment	\$ (760)	(6,561)	189	(6,773)
Foreign exchange gains (losses), net	(14,535)	(2,620)	(32,031)	38,767
Valuation gains (losses) on financial assets (liabilities), net	15,097	15,978	20,486	(5,015)
Impairment loss	(4,255)	(4,229)	(8,221)	(7,417)
Gain on lease modifications	27	-	27	-
Other	1	(14)	(48)	(14)
	<u>\$ (4,425)</u>	<u>2,554</u>	<u>(19,598)</u>	<u>19,548</u>

(iv) Finance cost

The details of finance cost are as follows:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest expense on loans from banks	\$ 18,877	8,797	34,137	22,719
Interest expense on lease liabilities	1,725	1,969	3,097	4,357
Less: interest expense capitalized	(14,458)	(1,577)	(23,012)	(2,265)
Amortization of discount on bonds payable	-	1	-	64
	<u>\$ 6,144</u>	<u>9,190</u>	<u>14,222</u>	<u>24,875</u>

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

(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(t) of the 2020 consolidated financial statements for related information.

(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 37%, 40% and 37% of the total amount of notes and accounts receivable as of June 30, 2021, December 31, 2020, and June 30, 2020, respectively. As of June 30, 2021, December 31, 2020, and June 30, 2020, the Group's accounts receivable concentrated on three main customers were \$1,327,950 thousand, \$1,455,501 thousand and \$1,170,525 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.

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
June 30, 2021					
Non-derivative financial liabilities					
Short-term loans	\$ 1,701,243	1,789,004	1,789,004	-	-
Long-term loans	3,132,196	3,473,009	528,845	720,630	2,223,534
Lease liabilities	134,997	143,638	51,413	36,529	55,696
Accounts payable	3,097,483	3,097,483	3,097,483	-	-
Other payables (including payables on equipment)	1,394,697	1,394,697	1,394,697	-	-
Long-term payable	159,159	159,159	-	141,532	17,627
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(55,816)	(55,816)	-	-
Outflow	65	55,881	55,881	-	-
	<u>\$ 9,619,840</u>	<u>10,057,055</u>	<u>6,861,507</u>	<u>898,691</u>	<u>2,296,857</u>
December 31, 2020					
Non-derivative financial liabilities					
Secured bank loans	\$ 1,750,016	1,829,623	348,103	1,041,945	439,575
Unsecured bank loans	1,947,860	1,973,000	1,368,809	466,358	137,833
Lease liabilities	145,055	153,151	75,113	31,058	46,980
Accounts payable	2,434,679	2,434,679	2,434,679	-	-
Other payables (including payables on equipment)	1,004,161	1,004,161	1,004,161	-	-
Long-term payable	135,118	135,118	-	104,016	31,102
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(313,997)	(313,997)	-	-
Outflow	8,279	322,276	322,276	-	-
	<u>\$ 7,425,168</u>	<u>7,538,011</u>	<u>5,239,144</u>	<u>1,643,377</u>	<u>655,490</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
June 30, 2020					
Non-derivative financial liabilities					
Secured bank loans	\$ 836,378	854,686	330,844	113,048	410,794
Unsecured bank loans	1,372,245	1,379,795	1,022,483	357,312	-
Lease liabilities	165,434	172,499	113,457	38,395	20,647
Accounts and notes payable	2,517,065	2,517,065	2,517,065	-	-
Other payables (including payables on equipment)	834,970	834,970	834,970	-	-
Dividend payables	569,799	569,799	569,799	-	-
Long-term payable	108,611	108,611	-	74,013	34,598
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(379,931)	(379,931)	-	-
Outflow	5,313	385,244	385,244	-	-
	<u>\$ 6,409,815</u>	<u>6,442,738</u>	<u>5,393,931</u>	<u>582,768</u>	<u>466,039</u>

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

(iii) Currency risk

1) Currency risk exposure

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

	<u>June 30, 2021</u>			<u>December 31, 2020</u>			<u>June 30, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Amount</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Amount</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Amount</u>
Financial assets									
Monetary items									
USD	\$ 132,524	27.75	3,677,541	129,502	28.43	3,681,969	112,320	29.51	3,315,107
Financial liabilities									
Monetary items									
USD	163,718	28.04	4,590,547	143,829	28.69	4,127,128	109,000	29.80	3,248,397

2) Sensitivity analysis

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

A 5% strengthening of the NTD and THB against the USD as at June 30, 2021 and 2020, would have increased (decreased) net profit before tax for the six months ended June 30, 2021 and 2020, by \$45,000 thousand and \$(3,000) thousand, respectively. The analysis assumes that all other variables remain constant, and is performed on the same basis for 2020.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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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 (losses), including realized and unrealized, were \$(14,535) thousand, \$(2,620) thousand, \$(32,031) thousand and \$38,767 thousand for the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, respectively.

(iv) Interest rate risk

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.

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 \$6,047 thousand and \$2,651 thousand for the six months ended June 30, 2021 and 2020, 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:

	June 30, 2021				
	Amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets measured of fair value through profit or loss					
Derivative financial assets – current	\$ 23,274	-	23,274	-	23,274

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June 30, 2021					
	<u>Amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets measured at amortized cost					
Cash and cash equivalents	1,151,516	-	-	-	-
Notes receivables	796	-	-	-	-
Accounts receivables	3,618,926	-	-	-	-
Other receivables	119,658	-	-	-	-
Refundable deposits	7,690	-	-	-	-
Other financial assets	<u>5,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>4,904,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,927,419</u>	<u>-</u>	<u>23,274</u>	<u>-</u>	<u>23,274</u>
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities – current	\$ <u>65</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>65</u>
Financial liabilities measured at amortized cost					
Short-term loans	1,701,243	-	-	-	-
Long-term loans	3,132,196	-	-	-	-
Lease liabilities	134,997	-	-	-	-
Accounts payable	3,097,483	-	-	-	-
Other payables (including payables on equipment)	1,394,697	-	-	-	-
Long-term payable	<u>159,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>9,619,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,619,840</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>65</u>
December 31, 2020					
	<u>Amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets measured of fair value through profit or loss					
Derivative financial assets – current	\$ <u>10,592</u>	<u>-</u>	<u>10,592</u>	<u>-</u>	<u>10,592</u>

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Notes to the Consolidated Financial Statements

		December 31, 2020				
		Fair value				
		Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	821,682	-	-	-	-	-
Notes receivables	661	-	-	-	-	-
Accounts receivables	3,683,750	-	-	-	-	-
Other receivables	71,042	-	-	-	-	-
Refundable deposits	7,954	-	-	-	-	-
Other financial assets	<u>4,311</u>	-	-	-	-	-
Subtotal	<u>4,589,400</u>	-	-	-	-	-
Total	<u>\$ 4,599,992</u>	<u>-</u>	<u>10,592</u>	<u>-</u>	<u>-</u>	<u>10,592</u>
Financial liabilities measured of fair value through profit or loss						
Derivative financial liabilities – current	\$ <u>8,279</u>	-	<u>8,279</u>	-	-	<u>8,279</u>
Financial liabilities measured at amortized cost						
Secured bank loans	1,750,016	-	-	-	-	-
Unsecured bank loans	1,947,860	-	-	-	-	-
Lease liabilities	145,055	-	-	-	-	-
Accounts payable	2,434,679	-	-	-	-	-
Other payables (including payables on equipment)	1,004,161	-	-	-	-	-
Long-term payable	<u>135,118</u>	-	-	-	-	-
Subtotal	<u>7,416,889</u>	-	-	-	-	-
Total	<u>\$ 7,425,168</u>	<u>-</u>	<u>8,279</u>	<u>-</u>	<u>-</u>	<u>8,279</u>
		June 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	\$ <u>412</u>	-	<u>412</u>	-	-	<u>412</u>

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	June 30, 2020				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	873,746	-	-	-	-
Notes receivables	4,959	-	-	-	-
Accounts receivables	3,197,044	-	-	-	-
Other receivables	48,673	-	-	-	-
Refundable deposits	7,872	-	-	-	-
Other financial assets	<u>2,738</u>	-	-	-	-
Subtotal	<u>4,135,032</u>	-	-	-	-
Total	<u>\$ 4,135,444</u>	<u>-</u>	<u>412</u>	<u>-</u>	<u>412</u>
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities – current	\$ <u>5,313</u>	-	<u>5,313</u>	-	<u>5,313</u>
Financial liabilities measured at amortized cost					
Secured bank loans	836,378	-	-	-	-
Unsecured bank loans	1,372,245	-	-	-	-
Lease liabilities	165,434	-	-	-	-
Accounts payable	2,517,065	-	-	-	-
Other payables (including payables on equipment)	834,970	-	-	-	-
Dividend payables	569,799	-	-	-	-
Long-term payable	<u>108,611</u>	-	-	-	-
Subtotal	<u>6,404,502</u>	-	-	-	-
Total	<u>\$ 6,409,815</u>	<u>-</u>	<u>5,313</u>	<u>-</u>	<u>5,313</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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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, financial assets measured at amortized cost, notes and accounts receivable and payable, other receivables and payables, refundable deposits, other financial assets, short-term loans and payables for machinery and equipment.
- ii) 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.

(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(u) of the 2020 consolidated financial statements for related information.

(v) Capital management

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

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

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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As at June 30, 2021, the Group's capital management strategy was consistent with the prior year as at December 31, 2020. The Group has to maintain the debt-to-equity ratio at a certain level according to the criteria set by a lender. The Group's debt-to-equity ratio as at June 30, 2021, December 31, 2020, and June 30, 2020, was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Net liabilities	\$ <u>9,818,680</u>	<u>7,607,391</u>	<u>6,548,684</u>
Total equity	\$ <u>7,393,295</u>	<u>7,624,632</u>	<u>7,121,632</u>
Debt-to-equity ratio	<u>132.81</u> %	<u>99.77</u> %	<u>91.95</u> %

The debt-to-equity ratio as of June 30, 2021, December 31, 2020, and June 30, 2020 was within the limit set by the lender.

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

Unit: thousands of THB

	June 30, 2021	December 31, 2020	June 30, 2020
Net liabilities	\$ <u>10,630,527</u>	<u>6,472,870</u>	<u>5,096,514</u>
Total equity	\$ <u>8,395,761</u>	<u>9,085,963</u>	<u>8,474,342</u>
Debt-to-equity ratio	<u>126.62</u> %	<u>71.24</u> %	<u>60.14</u> %

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

(w) Non-cash investing and financing activities

For the six months ended June 30, 2021 and 2020, 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:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>June 30, 2021</u>
			<u>Acquisition of contracts</u>	<u>Cancellation of contracts</u>	<u>Translation effect</u>	
Long-term loans	\$ 2,327,927	1,013,232	-	-	(208,963)	3,132,196
Short-term loans	1,369,949	471,363	-	-	(140,069)	1,701,243
Lease liabilities	145,055	(50,780)	53,840	(1,196)	(11,922)	134,997
Total liabilities from financing activities	\$ <u>3,842,931</u>	<u>1,433,815</u>	<u>53,840</u>	<u>(1,196)</u>	<u>(360,954)</u>	<u>4,968,436</u>

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

Name of related party	Relationship with the Group
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, 2020.

- (c) Significant transactions with related parties

- (i) Acquisitions of share

The Group acquired 99.99% shares of APS with total amount of \$277,485 thousand (THB 274,983 thousand) from related parties. The amounts that the Group paid to related party for the six months ended June 30, 2020 were summarized as below:

	2020.1.1~ 2020.6.30
Wang Chin Shin	\$ 57,843
Wang Chang Tao	28,255
Wang Chong Hsien	<u>83,163</u>
Total	<u>\$ 169,261</u>

(Continued)

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

(ii) Guarantee

For the six months ended June 30, 2021 and 2020, chairman of the Company provided credit guarantees to the Group for short-term and long-term loans.

(d) Management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 10,071	8,643	20,935	18,615
Post-employment benefits	157	225	323	456
Other long-term benefits	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
	<u>\$ 10,229</u>	<u>8,869</u>	<u>21,260</u>	<u>19,073</u>

(8) Pledged assets:

Pledged assets	Object	June 30, 2021	December 31, 2020	June 30, 2020
Other financial assets				
– non-current:				
Restricted bank deposits	Long-term loans and derivative instruments not used for hedging	\$ 5,559	4,311	2,738
Property, plant, and equipment:				
Land	Long-term and short-term loans	380	416	229,424
Buildings	Long-term and short-term loans	40,977	47,541	1,238,621
Machinery and equipment	Long-term, short-term loans and electricity guarantee	872,472	900,820	1,295,844
Office equipment	Long-term and short-term loans	-	-	26,117
Total		<u>\$ 919,388</u>	<u>953,088</u>	<u>2,792,744</u>

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

(9) Significant commitments and contingencies:

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Acquiring property, plant and equipment	\$ 1,421,688	1,615,496	696,446
Long-term commitments	56,505	82,078	110,611
Total	<u>\$ 1,478,193</u>	<u>1,697,574</u>	<u>807,057</u>

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Letters of credit	\$ <u>174,334</u>	<u>110,431</u>	<u>34,355</u>

(c) Guarantees provided by banks were as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Electricity guarantee	\$ <u>76,922</u>	<u>84,154</u>	<u>84,530</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	For the three months ended June 30					
	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	425,378	84,236	509,614	387,100	67,715	454,815
Health insurance	-	410	410	-	377	377
Pension	1,938	1,364	3,302	1,423	1,633	3,056
Remuneration to directors	-	180	180	-	180	180
Other personnel expense	38,185	16,489	54,674	36,085	10,278	46,363
Depreciation	169,085	26,904	195,989	153,728	27,740	181,468
Amortization	1,514	2,732	4,246	1,485	2,184	3,669

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

Function	For the six months ended June 30					
	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Account						
Personnel costs						
Salaries	826,166	159,254	985,420	730,525	143,049	873,574
Health insurance	-	833	833	-	785	785
Pension	3,976	2,778	6,754	2,885	3,290	6,175
Remuneration to directors	-	360	360	-	360	360
Other personnel expense	75,550	29,812	105,362	69,431	22,193	91,624
Depreciation	340,426	49,174	389,600	310,501	55,894	366,395
Amortization	3,025	5,404	8,429	2,945	4,447	7,392

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

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

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2021:

- (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 (note 1)										
1	The Company	Apex Circuit (Thailand)	2	22,179,885 (Note 2)	7,303,954	6,796,821	3,909,641	-	91.93 %	22,179,885 (Note 3)	Y	N	N
2	The Company	APS	2	22,179,885 (Note 2)	142,110	-	-	-	- %	22,179,885 (Note 3)	Y	N	N
3	Apex Circuit (Thailand)	The Company	3	3,652,581 (Note 4)	1,027,128	1,003,295	-	-	13.57 %	3,652,581 (Note 5)	N	Y	N
4	Apex Circuit (Thailand)	APS	2	3,652,581 (Note 4)	545,950	530,761	357,652	-	7.18 %	3,652,581 (Note 5)	N	N	N

Note 1: Relationships with Guarantors and Obligees

1. Companies with business relations.
2. Companies in which more than 50% of shares with voting rights are directly or indirectly owned by the Company.
3. Companies directly or in directly owning more than 50% of shares with voting rights of the Company.
4. Companies in which 90% of shares with voting rights are directly or indirectly owned the Company.
5. Companies under reciprocal inter-insurance for constructional contractual purpose.
6. Companies guaranteed by all contributed shareholders due to co-investing relationships.
7. Companies established to practice escrow and joint, as well as several guarantees for presale homes under the Consumer Protection Act.

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

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

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

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

- (iii) Securities held as of June 30, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (ix) Information regarding trading in derivative financial instruments: Please refer to notes 6(b) and (l)
- (x) Business relationships and significant intercompany transactions: There were no significant transactions.

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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 six months ended June 30, 2021:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2021			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				June 30, 2021	December 31, 2020	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 %	7,274,470	465,820	463,864	
The Company	AET	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	5,140	(743)	(1,078)	
Apex Circuit (Thailand) Co., Ltd.	APS	Thailand	PCB (printed circuit board) manufacturing and sales	277,485	277,485	32	99.99 %	205,487	(21,142)	(21,140) (Note 3)	
APS	APSS	Singapore	PCB sales development	8,195	8,195	402	100.00 %	4,104	(697)	(893)	

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

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

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, 2021 (Note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2021 (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	Supply Chain integration	8,488 (RMB2,000)	2	-	-	-	-	389 (RMB89)	99.58 %	(54) (RMB1)	2,321 (RMB529)	-

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

- (1) Direct investment in China.
- (2) Direct investment in Thailand (Apex Circuit (Thailand) 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 audited by auditors.

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

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

Note 5: The book value at end of year are calculated by using the exchange rate on June 30, 2021 (BS exchange rate RMB:TWD=1:4.3875). 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=1:4.3584).

(ii) Limitation on investment in China: None.

(iii) Significant transactions in China: 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	Percentage
Lu Yan Xian		17,919,000	9.43 %
Jin Da He Co., Ltd.		15,658,000	8.24 %
Yi Zhan Xin Co., Ltd.		10,185,000	5.36 %

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 Group's operating segment information and reconciliation are as follows:

	For the three months ended June 30			
	2021			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 3,492,845	-	212	3,493,057
Intersegment revenues	2,493	60,411	(62,904)	-
Total revenue	<u>\$ 3,495,338</u>	<u>60,411</u>	<u>(62,692)</u>	<u>3,493,057</u>
Reportable segment profit or loss	<u>\$ 324,481</u>	<u>(14,062)</u>	<u>(2,556)</u>	<u>307,863</u>
	For the three months ended June 30			
	2020			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 2,983,052	-	-	2,983,052
Intersegment revenues	236	35,970	(36,206)	-
Total revenue	<u>\$ 2,983,288</u>	<u>35,970</u>	<u>(36,206)</u>	<u>2,983,052</u>
Reportable segment profit or loss	<u>\$ 361,666</u>	<u>(5,905)</u>	<u>(3,941)</u>	<u>351,820</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	For the six months ended June 30			
	2021			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 6,753,249	-	212	6,753,461
Intersegment revenues	5,131	113,969	(119,100)	-
Total revenue	<u>\$ 6,758,380</u>	<u>113,969</u>	<u>(118,888)</u>	<u>6,753,461</u>
Reportable segment profit or loss	<u>\$ 516,028</u>	<u>(18,191)</u>	<u>(6,780)</u>	<u>491,057</u>
	For the six months ended June 30			
	2020			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 5,587,818	-	-	5,587,818
Intersegment revenues	1,722	62,270	(63,992)	-
Total revenue	<u>\$ 5,589,540</u>	<u>62,270</u>	<u>(63,992)</u>	<u>5,587,818</u>
Reportable segment profit or loss	<u>\$ 666,387</u>	<u>(20,440)</u>	<u>(7,366)</u>	<u>638,581</u>

For the three months and six months ended June 30, 2021 and 2020, the adjustments and eliminations of the intersegment net profit to the reportable segment profit or loss were \$(2,556) thousand, \$(3,941) thousand, \$(6,780) thousand and \$(7,366) thousand, respectively.