

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Apex International Co., Ltd. and its subsidiaries ("the Group") as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes of the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

**Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

May 3, 2022

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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2022		December 31, 2021		March 31, 2021			March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets													
11xx Current assets:							21xx Current liabilities:						
1100 Cash and cash equivalents (note 6(a))	\$ 761,081	4	660,374	3	863,120	5	2100 Short-term loans (notes 6(g), (j), 7, 8 and 9)	\$ 2,785,776	14	2,501,866	13	1,563,729	10
1110 Financial assets measured at fair value through profit or loss – current (notes 6(a), (b) and 8)	11,870	-	9,285	-	9,175	-	2120 Financial liabilities measured at fair value through profit or loss – current (notes 6(a), (b) and 8)	7,077	-	4,322	-	68	-
1136 Current financial assets at amortized cost (note 6(c))	-	-	-	-	199,717	1	2170 Accounts payable	3,443,836	17	3,537,424	18	2,828,877	18
1150 Notes receivable, net (notes 6(d) and (q))	211	-	-	-	624	-	2200 Other payables	637,767	3	569,841	3	554,178	3
1170 Accounts receivable, net (notes 6(d) and (q))	4,320,905	21	4,330,830	22	3,696,371	23	2213 Payable for machinery and equipment	903,283	4	1,062,967	5	583,527	4
1200 Other receivables (note 6(e))	256,847	1	201,583	1	161,922	1	2230 Current tax liabilities	28,237	-	22,826	-	47,059	-
130x Inventories (note 6(f))	3,964,136	19	3,737,962	19	2,377,019	15	2280 Current lease liabilities (notes 6(h) and (l))	40,357	-	40,965	-	56,544	-
1470 Other current assets	39,320	-	125,942	1	102,509	1	2322 Current portion of long-term loans (notes 6(a), (g), (k), 7 and 8)	1,160,517	6	1,082,462	6	363,895	2
Total current assets	9,354,370	45	9,065,976	46	7,410,457	46	2399 Other current liabilities	54,482	-	71,931	-	37,264	-
15xx Non-current assets:							Total current liabilities	9,061,332	44	8,894,604	45	6,035,141	37
1600 Property, plant and equipment (notes 6(g), (i), (j), (k), (r), 8 and 9)	10,989,396	53	10,149,438	51	8,046,603	50	25xx Non-Current liabilities:						
1755 Right-of-use asset (notes 6(h) and (l))	120,635	1	123,219	1	295,305	2	2540 Long-term loans (notes 6(a), (g), (k), 7 and 8)	3,194,952	16	3,036,339	15	2,364,469	15
1780 Intangible assets (notes 6(g) and (i))	171,686	1	168,418	1	186,264	1	2570 Deferred tax liabilities	57,993	-	55,976	-	53,286	-
1840 Deferred tax assets	32,959	-	32,157	-	24,098	-	2580 Non-current lease liabilities (notes 6(h) and (l))	82,685	-	84,479	1	83,641	1
1915 Prepayment for equipment (note 6(g))	100,250	-	240,198	1	205,356	1	2612 Long-term payable	190,277	1	232,619	1	109,832	1
1920 Refundable deposits	8,102	-	7,811	-	7,737	-	2670 Other non-current liabilities (note 6(m))	63,715	-	61,725	-	68,506	-
1980 Other financial assets – non-current (notes 6(a), (b), (k) and 8)	9,718	-	8,206	-	805	-	Total non-current liabilities	3,589,622	17	3,471,138	17	2,679,734	17
Total non-current assets	11,432,746	55	10,729,447	54	8,766,168	54	31xx Total liabilities	12,650,954	61	12,365,742	62	8,714,875	54
							3110 Common stock	1,899,380	9	1,899,380	10	1,899,380	12
							3200 Capital surplus	2,405,512	12	2,405,512	12	2,405,512	15
							3300 Retained earnings	4,554,487	22	4,140,552	21	3,480,368	21
							3410 Exchange differences on translation of foreign financial statements	(759,441)	(4)	(1,048,969)	(5)	(354,310)	(2)
							Total equity attributable to owners of parent	8,099,938	39	7,396,475	38	7,430,950	46
							36xx Non-controlling interests	36,224	-	33,206	-	30,800	-
							3xxx Total equity	8,136,162	39	7,429,681	38	7,461,750	46
1xxx Total assets	\$ 20,787,116	100	19,795,423	100	16,176,625	100	2-3xxx Total liabilities and equity	\$ 20,787,116	100	19,795,423	100	16,176,625	100

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		For the three months ended March 31			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (note 6(q))	\$ 4,144,906	100	3,260,404	100
5000	Operating costs (notes 6(f), (g), (h), (i), (l) and (m))	<u>3,289,973</u>	<u>79</u>	<u>2,644,194</u>	<u>81</u>
5900	Gross profit from operations	<u>854,933</u>	<u>21</u>	<u>616,210</u>	<u>19</u>
6000	Operating expenses (notes 6(d), (g), (h), (i), (l), (m), (o) and 7):				
6188	Selling expenses	236,869	6	198,664	6
6200	Administrative expenses	189,411	5	150,212	5
6300	Research and development expenses	12,117	-	9,656	-
6450	Expected credit loss	<u>4,571</u>	<u>-</u>	<u>54,433</u>	<u>2</u>
	Total operating expenses	<u>442,968</u>	<u>11</u>	<u>412,965</u>	<u>13</u>
6900	Operating income	<u>411,965</u>	<u>10</u>	<u>203,245</u>	<u>6</u>
7000	Non-operating income and expenses (notes 6(b), (g), (l) and (r)):				
7100	Interest income	16	-	145	-
7010	Other income	16,147	-	3,055	-
7020	Other gains and losses	16,856	-	(15,173)	-
7050	Finance costs	<u>(24,299)</u>	<u>-</u>	<u>(8,078)</u>	<u>-</u>
	Total non-operating income and expenses	<u>8,720</u>	<u>-</u>	<u>(20,051)</u>	<u>-</u>
7900	Profit from continuing operations before tax	420,685	10	183,194	6
7951	Less: Income tax expenses (note 6(n))	<u>4,953</u>	<u>-</u>	<u>28,135</u>	<u>1</u>
8200	Profit	<u>415,732</u>	<u>10</u>	<u>155,059</u>	<u>5</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	290,749	7	(349,518)	(11)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>290,749</u>	<u>7</u>	<u>(349,518)</u>	<u>(11)</u>
8500	Total comprehensive income (loss)	<u>\$ 706,481</u>	<u>17</u>	<u>(194,459)</u>	<u>(6)</u>
	Profit attributable to:				
8610	Owners of parent	\$ 413,935	10	154,384	5
8620	Non-controlling interests	<u>1,797</u>	<u>-</u>	<u>675</u>	<u>-</u>
		<u>\$ 415,732</u>	<u>10</u>	<u>155,059</u>	<u>5</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ 703,463	17	(193,682)	(6)
8720	Non-controlling interests	<u>3,018</u>	<u>-</u>	<u>(777)</u>	<u>-</u>
		<u>\$ 706,481</u>	<u>17</u>	<u>(194,459)</u>	<u>(6)</u>
	Basic earnings per share (expressed in New Taiwan dollars) (note 6(p))				
9750	Basic earnings per share	<u>\$ 2.18</u>		<u>0.81</u>	
9850	Diluted earnings per share	<u>\$ 2.18</u>		<u>0.81</u>	

See accompanying notes to consolidated financial statements.

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2022 and 2021

(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 financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
			Special reserve	Unappropriated retained earnings					Total
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	-	-	-	154,384	154,384	-	154,384	675	155,059
Other comprehensive income	-	-	-	-	-	(348,066)	(348,066)	(1,452)	(349,518)
Total comprehensive income (loss)	-	-	-	154,384	154,384	(348,066)	(193,682)	(777)	(194,459)
Cash dividends distributed to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(4,762)	(4,762)
Balance at March 31, 2021	\$ 1,899,380	2,405,512	300,256	3,180,112	3,480,368	(354,310)	7,430,950	30,800	7,461,750
Balance at January 1, 2022	\$ 1,899,380	2,405,512	300,256	3,840,296	4,140,552	(1,048,969)	7,396,475	33,206	7,429,681
Profit	-	-	-	413,935	413,935	-	413,935	1,797	415,732
Other comprehensive income	-	-	-	-	-	289,528	289,528	1,221	290,749
Total comprehensive income (loss)	-	-	-	413,935	413,935	289,528	703,463	3,018	706,481
Balance at March 31, 2022	\$ 1,899,380	2,405,512	300,256	4,254,231	4,554,487	(759,441)	8,099,938	36,224	8,136,162

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 420,685	183,194
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	245,117	193,611
Amortization expense	4,269	4,183
Expected credit loss	4,571	54,433
Interest expense	24,299	8,078
Interest income	(16)	(145)
Loss (gain) on disposal of property, plant and equipment	196	(949)
Impairment loss on non-financial assets	3,816	3,966
Total adjustments to reconcile profit	<u>282,252</u>	<u>263,177</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss	(2,585)	1,417
Notes receivable	(211)	37
Accounts receivable	5,354	(67,054)
Other receivables	(55,264)	(90,880)
Inventories	(226,174)	(149,139)
Other current assets	86,622	7,688
Total changes in operating assets	<u>(192,258)</u>	<u>(297,931)</u>
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss	2,755	(8,211)
Accounts payable	(93,588)	394,198
Other payables	67,088	49,811
Other current liabilities	(17,449)	(1,215)
Other non-current liabilities	1,990	1,191
Total changes in operating liabilities	<u>(39,204)</u>	<u>435,774</u>
Total changes in operating assets and liabilities	<u>(231,462)</u>	<u>137,843</u>
Total adjustments	<u>50,790</u>	<u>401,020</u>
Cash inflow generated from operations	471,475	584,214
Interest received	16	145
Interest paid	(23,461)	(7,920)
Income taxes paid	(27)	(45)
Net cash flows from operating activities	<u>448,003</u>	<u>576,394</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortised cost	-	(199,717)
Acquisition of property, plant and equipment	(717,307)	(840,594)
Proceeds from disposal of property, plant and equipment	-	16,754
Decrease in refundable deposits	(291)	217
Acquisition of intangible assets	(1,153)	(10,037)
Decrease (increase) in other non-current financial assets	(1,512)	3,506
Increase in prepayments for equipment	(43,371)	(99,124)
Net cash flows used in investing activities	<u>(763,634)</u>	<u>(1,128,995)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	191,078	261,778
Proceeds from long-term loans	210,804	1,507,717
Repayments of long-term loans	(105,242)	(1,010,430)
Payment of lease liabilities	(11,931)	(25,721)
Change in non-controlling interests	-	(4,762)
Net cash flows from financing activities	<u>284,709</u>	<u>728,582</u>
Effect of exchange rate changes on cash and cash equivalents	<u>131,629</u>	<u>(134,543)</u>
Net increase in cash and cash equivalents	<u>100,707</u>	<u>41,438</u>
Cash and cash equivalents at beginning of period	<u>660,374</u>	<u>821,682</u>
Cash and cash equivalents at end of period	<u>\$ 761,081</u>	<u>863,120</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

March 31, 2022 and 2021

(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. (APT), 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. APT 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, 2021. 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 May 3, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of adopting the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

(Continued)

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

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

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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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
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

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
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, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(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, 2021. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2021.

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

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)		
			March 31, 2022	December 31, 2021	March 31, 2021
The Company	Apex Circuit (Thailand) Co., Ltd. (APT)	PCB manufacturing and sales	99.58 %	99.58 %	99.58 %

(Continued)

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

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)		
			March 31, 2022	December 31, 2021	March 31, 2021
The Company	Approach Excellence Trading Ltd. (incorporated in British Virgin Islands) (AET)	Supply chain integration	100.00 %	100.00 %	100.00 %
APT	Shye Feng Enterprise (Thailand) Co., Ltd. (APS)	PCB manufacturing and sales	99.99 %	99.99 %	99.99 %
APT	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.

(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, 2021. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(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, 2021. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash	\$ 1,555	1,384	4,596
Demand deposits	734,111	630,767	810,607
Checking deposits	16,828	19,916	30,798
Time deposits	<u>8,587</u>	<u>8,307</u>	<u>17,119</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 761,081</u>	<u>660,374</u>	<u>863,120</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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Restricted bank deposit	<u>\$ 9,718</u>	<u>8,206</u>	<u>805</u>

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

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

(i) Financial assets measured at fair value – Current

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	<u>\$ 11,870</u>	<u>9,285</u>	<u>9,175</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(ii) Financial liabilities measured at fair value – Current

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>7,077</u>	<u>4,322</u>	<u>68</u>

Please refer to note 6(r) for the amounts recognized in the consolidated statements of comprehensive income 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 March 31, 2022, December 31, 2021, and March 31, 2021.

Forward exchange contracts:

<u>March 31, 2022</u>					<u>Fair value of assets (liabilities)</u>
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>		
Forward exchange purchased	USD 16,000	USD to NTD	2022.5.17	\$	<u>11,870</u>
Forward exchange purchased	USD 29,992	USD to THB	2022.4.8~ 2022.9.30	\$	<u>(7,077)</u>
<u>December 31, 2021</u>					
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>		<u>Fair value of assets (liabilities)</u>
Forward exchange purchased	USD 21,390	USD to THB	2022.1.4 ~2022.5.31	\$	<u>9,285</u>
Forward exchange purchased	USD 16,000	USD to NTD	2022.2.14	\$	(786)
Forward exchange purchased	USD 17,500	USD to THB	2022.3.28 ~2022.6.30		(3,536)
				\$	<u>(4,322)</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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March 31, 2021				
	Amount	Currency	Maturity dates	Fair value of assets (liabilities)
	(in thousands)			\$
Forward exchange purchased	USD 10,000	USD to THB	2021.8.2 ~2021.9.30	9,175
Forward exchange purchased	USD 2,000	USD to THB	2021.10.4	(68)

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

(c) Financial assets measured at amortized cost

	March 31, 2022	December 31, 2021	March 31, 2021
Time deposits	\$ -	-	199,717

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

As of March 31, 2021, the Group held foreign time deposit with the weighted average interest rates of 0.34% maturing in July 2021.

(d) Notes receivable and accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 211	-	624
Accounts receivable	4,374,430	4,378,017	3,755,854
Less: loss allowance	(53,525)	(47,187)	(59,483)
	\$ 4,321,116	4,330,830	3,696,995

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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Group's analyses of the expected credit loss on its accounts receivable in the regions of Taiwan and Mainland China were as follows:

	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 468,678	0.60	2,812
Past due 1~30 days	86,959	2.40	2,086
Past due 31~60 days	37,848	9.02	3,412
Past due 61~90 days	177	16.38	29
Past due 121~180 days	1,436	63.37	910
Past due over 180 days	18	100.00	18
	\$ 595,116		9,267
	December 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 358,738	0.60	2,147
Past due 1~30 days	77,344	2.38	1,844
Past due 31~60 days	33,891	8.97	3,040
Past due 61~90 days	3,734	16.34	610
Past due 91~120 days	66	37.88	25
Past due over 180 days	179	100.00	179
	\$ 473,952		7,845
	March 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 437,244	0.58	2,513
Past due 1~30 days	140,885	2.26	3,187
Past due 31~60 days	65,745	8.67	5,700
Past due 61~90 days	8,649	15.64	1,353
Past due 91~120 days	3,250	28.46	925
Past due 121~180 days	1,304	42.25	551
Past due over 180 days	719	100.00	719
	\$ 657,796		14,948

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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:

	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 308,396	-	-
Past due 1~30 days	42,804	-	-
Past due 31~60 days	15,076	0.01	2
	\$ 366,276		2
	December 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 290,083	-	-
Past due 1~30 days	34,444	-	-
Past due 31~60 days	243	-	-
	\$ 324,770		-
	March 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 289,845	-	-
Past due 1~30 days	27,164	-	-
Past due 31~60 days	2,348	-	-
Past due 61~90 days	4	-	-
	\$ 319,361		-

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

	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,894	100.00	1,894

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	December 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,834	100.00	1,834
	March 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,885	100.00	1,885

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

	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 2,020,216	-	66
Past due 1~30 days	570,381	0.02	105
Past due 31~60 days	19,287	-	-
Past due 61~90 days	8,809	-	-
Past due 91~120 days	17	-	-
Past due over 180 days	171	100.00	171
	\$ 2,618,881		342

The accounts receivable above did 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 \$35,797 thousand.

	December 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 2,369,317	-	94
Past due 1~30 days	246,288	0.04	93
Past due 31~60 days	12,484	1.31	163
Past due 61~90 days	2,003	-	-
Past due over 180 days	169	100.00	169
	\$ 2,630,261		519

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The accounts receivable above did 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 \$34,664 thousand.

	March 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,642,286	0.01	117
Past due 1~30 days	261,032	0.05	123
Past due 31~60 days	7,151	8.43	603
Past due 61~90 days	7,070	18.46	1,305
Past due over 180 days	208	100.00	208
	\$ 1,917,747		2,356

The accounts receivable above did 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 \$38,595 thousand.

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

	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 516,981	0.11	554
Past due 1~30 days	159,545	0.54	858
Past due 31~60 days	15,596	1.99	310
Past due 61~90 days	51,998	4.14	2,151
Past due 91~120 days	11,515	12.77	1,470
Past due 121~180 days	218	25.69	56
Past due over 180 days	824	100.00	824
	\$ 756,677		6,223

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	December 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 774,831	0.10	760
Past due 1~30 days	105,758	0.51	536
Past due 31~60 days	18,333	1.37	251
Past due 61~90 days	10,721	3.42	367
Past due 91~120 days	2,169	10.88	236
Past due 121~180 days	724	24.17	175
	\$ 912,536		2,325
	March 31, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 669,048	0.10	657
Past due 1~30 days	127,886	0.51	648
Past due 31~60 days	21,834	1.37	300
Past due 61~90 days	2,176	3.45	75
Past due 121~180 days	150	12.67	19
	\$ 821,094		1,699

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

	For the three months ended March 31	
	2022	2021
Balance at the beginning	\$ 47,187	6,896
Impairment losses	4,571	54,433
Foreign exchange losses (gains)	1,767	(1,846)
Balance at the ending	\$ 53,525	59,483

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

(e) Other receivables

	March 31, 2022	December 31, 2021	March 31, 2021
Other receivables	\$ <u>256,847</u>	<u>201,583</u>	<u>161,922</u>

The Group did not have any past due other receivables as of March 31, 2022, December 31, 2021, and March 31, 2021.

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

(f) Inventories

	March 31, 2022		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 1,622,779	(57,585)	1,565,194
Work in process	589,092	(23,384)	565,708
Finished goods	1,228,576	(86,161)	1,142,415
Supplies and spare parts	681,710	(48,458)	633,252
Goods in transit	39,853	-	39,853
Merchandise inventory	<u>17,714</u>	<u>-</u>	<u>17,714</u>
Total	<u>\$ 4,179,724</u>	<u>(215,588)</u>	<u>3,964,136</u>

	December 31, 2021		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 1,403,515	(48,592)	1,354,923
Work in process	559,119	(14,792)	544,327
Finished goods	1,135,171	(70,756)	1,064,415
Supplies and spare parts	649,631	(46,501)	603,130
Goods in transit	153,058	-	153,058
Merchandise inventory	<u>18,109</u>	<u>-</u>	<u>18,109</u>
Total	<u>\$ 3,918,603</u>	<u>(180,641)</u>	<u>3,737,962</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	March 31, 2021		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 724,050	(44,595)	679,455
Work in process	364,426	(9,312)	355,114
Finished goods	696,502	(40,073)	656,429
Supplies and spare parts	528,728	(41,838)	486,890
Goods in transit	196,448	-	196,448
Merchandise inventory	<u>2,683</u>	<u>-</u>	<u>2,683</u>
Total	<u>\$ 2,512,837</u>	<u>(135,818)</u>	<u>2,377,019</u>

For the three months ended March 31, 2022 and 2021, in addition to the costs of inventories recognized when inventories were sold, the following loss and revenue were included in the Group's operating costs:

	For the three months ended March 31	
	2022	2021
Allowance for inventory valuation and obsolescence losses (reversal gain)	\$ 28,042	27,625
Revenue from sale of scrap	(123,622)	(109,096)
Loss on inventory obsolescence	1,039	-
Unallocated manufacturing expense	<u>107,424</u>	<u>70,824</u>
	<u>\$ 12,883</u>	<u>(10,647)</u>

As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group did not pledge its inventory as collateral.

(g) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the three months ended March 31, 2022 and 2021, 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, 2022	\$ 664,731	7,442	2,999,906	9,034,187	21,212	547,117	22,834	2,271,303	15,568,732
Additions	-	861	53,738	30,154	-	13,155	141	417,232	515,281
Disposals	-	-	(225)	(1,000)	-	(1,053)	-	-	(2,278)
Reclassification (notes 1 and 2)	-	-	232,785	614,536	-	66,381	-	(724,163)	189,539
Translation effect	<u>23,946</u>	<u>279</u>	<u>112,121</u>	<u>334,559</u>	<u>765</u>	<u>20,746</u>	<u>761</u>	<u>77,479</u>	<u>570,656</u>
Balance at March 31, 2022	<u>\$ 688,677</u>	<u>8,582</u>	<u>3,398,325</u>	<u>10,012,436</u>	<u>21,977</u>	<u>646,346</u>	<u>23,736</u>	<u>2,041,851</u>	<u>16,841,930</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Land improvement</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvement</u>	<u>Unfinished construction and equipment undergoing acceptance testing</u>	<u>Total</u>
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	-	-	11,406	78,746	-	18,907	5,459	784,365	898,883
Disposals	-	-	-	(52,929)	-	(1,270)	-	-	(54,199)
Reclassification (notes 1 and 2)	-	-	7,339	362,861	-	136	-	(184,681)	185,655
Translation effect	(32,765)	(357)	(41,257)	(101,358)	4,654	(20,258)	(852)	(63,317)	(255,510)
Balance at March 31, 2021	<u>\$ 708,081</u>	<u>7,709</u>	<u>2,300,892</u>	<u>8,195,533</u>	<u>20,614</u>	<u>472,121</u>	<u>22,462</u>	<u>1,584,269</u>	<u>13,311,681</u>
Accumulated depreciation and impairment losses:									
Balance at January 1, 2022	\$ -	4,970	976,535	4,093,522	16,976	315,032	12,259	-	5,419,294
Depreciation	-	239	44,426	169,371	353	17,982	711	-	233,082
Impairment loss	-	-	-	3,816	-	-	-	-	3,816
Disposals	-	-	(122)	(1,000)	-	(960)	-	-	(2,082)
Translation effect	-	182	35,807	149,902	617	11,528	388	-	198,424
Balance at March 31, 2022	<u>\$ -</u>	<u>5,391</u>	<u>1,056,646</u>	<u>4,415,611</u>	<u>17,946</u>	<u>343,582</u>	<u>13,358</u>	<u>-</u>	<u>5,852,534</u>
Balance at January 1, 2021	\$ -	4,834	902,104	3,783,721	12,619	306,078	10,954	-	5,020,310
Depreciation	-	208	33,628	131,144	324	11,384	474	-	177,162
Impairment loss	-	-	-	3,966	-	-	-	-	3,966
Disposals	-	-	-	(37,227)	-	(1,167)	-	-	(38,394)
Translation effect	-	(220)	21,184	89,289	4,792	(12,605)	(406)	-	102,034
Balance at March 31, 2021	<u>\$ -</u>	<u>4,822</u>	<u>956,916</u>	<u>3,970,893</u>	<u>17,735</u>	<u>303,690</u>	<u>11,022</u>	<u>-</u>	<u>5,265,078</u>
Carrying amount:									
Balance at January 1, 2022	<u>\$ 664,731</u>	<u>2,472</u>	<u>2,023,371</u>	<u>4,940,665</u>	<u>4,236</u>	<u>232,085</u>	<u>10,575</u>	<u>2,271,303</u>	<u>10,149,438</u>
Balance at March 31, 2022	<u>\$ 688,677</u>	<u>3,191</u>	<u>2,341,679</u>	<u>5,596,825</u>	<u>4,031</u>	<u>302,764</u>	<u>10,378</u>	<u>2,041,851</u>	<u>10,989,396</u>
Balance at March 31, 2021	<u>\$ 708,081</u>	<u>2,887</u>	<u>1,343,976</u>	<u>4,224,640</u>	<u>2,879</u>	<u>168,431</u>	<u>11,440</u>	<u>1,584,269</u>	<u>8,046,603</u>

Note 1: The cost of \$189,898 thousand and \$186,468 thousand, respectively, were reclassified from prepayment for equipment for the three months ended March 31, 2022 and 2021.

2. The cost of \$359 thousand and \$813 thousand were reclassified from equipment undergoing acceptance testing of property, plant and equipment to intangible assets for the three months ended March 31, 2022 and 2021.

The Group performed impairment test on the idle machinery and estimated the differences between the book value and the recoverable amount. The impairment loss recognized was as follows:

	For the three months ended	
	March 31	
	2022	2021
Impairment loss	\$ 3,816	3,966

The Group used fair value less selling cost to calculate the recoverable amount as the basis to assess the impairment of the idle machinery.

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

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

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(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:

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2022	\$ 124,896	67,759	43,281	1,236	237,172
Additions	1,796	1,738	1,766	-	5,300
Translation effect	<u>4,022</u>	<u>2,466</u>	<u>1,584</u>	<u>45</u>	<u>8,117</u>
Balance at March 31, 2022	<u>\$ 130,714</u>	<u>71,963</u>	<u>46,631</u>	<u>1,281</u>	<u>250,589</u>
Balance at January 1, 2021	\$ 101,810	298,022	41,670	1,418	442,920
Additions	5,293	18,340	3,311	-	26,944
Translation effect	<u>(4,011)</u>	<u>(13,700)</u>	<u>(1,928)</u>	<u>(63)</u>	<u>(19,702)</u>
Balance at March 31, 2021	<u>\$ 103,092</u>	<u>302,662</u>	<u>43,053</u>	<u>1,355</u>	<u>450,162</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2022	\$ 52,408	34,476	26,428	641	113,953
Depreciation	6,780	3,235	1,933	87	12,035
Translation effect	<u>1,673</u>	<u>1,288</u>	<u>980</u>	<u>25</u>	<u>3,966</u>
Balance at March 31, 2022	<u>\$ 60,861</u>	<u>38,999</u>	<u>29,341</u>	<u>753</u>	<u>129,954</u>
Balance at January 1, 2021	\$ 28,517	96,275	19,950	243	144,985
Depreciation	6,047	7,693	2,583	126	16,449
Translation effect	<u>(1,134)</u>	<u>(4,476)</u>	<u>(953)</u>	<u>(14)</u>	<u>(6,577)</u>
Balance at March 31, 2021	<u>\$ 33,430</u>	<u>99,492</u>	<u>21,580</u>	<u>355</u>	<u>154,857</u>
Carrying amount:					
Balance at January 1, 2022	<u>\$ 72,488</u>	<u>33,283</u>	<u>16,853</u>	<u>595</u>	<u>123,219</u>
Balance at March 31, 2022	<u>\$ 69,853</u>	<u>32,964</u>	<u>17,290</u>	<u>528</u>	<u>120,635</u>
Balance at March 31, 2021	<u>\$ 69,662</u>	<u>203,170</u>	<u>21,473</u>	<u>1,000</u>	<u>295,305</u>

(i) Intangible assets

The cost, amortization, and impairment losses for the intangible assets of the Group for the three months ended March 31, 2022 and 2021, 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, 2022	\$ 103,896	2,711	35,566	118,484	260,657
Addition	-	-	-	1,153	1,153
Reclassification from property, plant and equipment	-	-	-	359	359
Translation effect	<u>3,743</u>	<u>99</u>	<u>1,282</u>	<u>4,263</u>	<u>9,387</u>
Balance at March 31, 2022	<u>\$ 107,639</u>	<u>2,810</u>	<u>36,848</u>	<u>124,259</u>	<u>271,556</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, 2021	\$ 119,155	3,110	40,789	112,334	275,388
Additions	-	-	-	10,037	10,037
Reclassification from property, plant and equipment	-	-	-	813	813
Translation effect	<u>(5,270)</u>	<u>(137)</u>	<u>(1,803)</u>	<u>(5,239)</u>	<u>(12,449)</u>
Balance at March 31, 2021	<u>\$ 113,885</u>	<u>2,973</u>	<u>38,986</u>	<u>117,945</u>	<u>273,789</u>
Amortization and impairment loss:					
Balance at January 1, 2022	\$ -	1,085	7,113	84,041	92,239
Amortization	-	139	908	3,222	4,269
Translation effect	<u>-</u>	<u>41</u>	<u>270</u>	<u>3,051</u>	<u>3,362</u>
Balance at March 31, 2022	<u>\$ -</u>	<u>1,265</u>	<u>8,291</u>	<u>90,314</u>	<u>99,870</u>
Balance at January 1, 2021	\$ -	622	4,079	82,590	87,291
Amortization	-	153	1,003	3,027	4,183
Translation effect	<u>-</u>	<u>(32)</u>	<u>(209)</u>	<u>(3,708)</u>	<u>(3,949)</u>
Balance at March 31, 2021	<u>\$ -</u>	<u>743</u>	<u>4,873</u>	<u>81,909</u>	<u>87,525</u>
Carrying amount:					
Balance at January 1, 2022	<u>\$ 103,896</u>	<u>1,626</u>	<u>28,453</u>	<u>34,443</u>	<u>168,418</u>
Balance at March 31, 2022	<u>\$ 107,639</u>	<u>1,545</u>	<u>28,557</u>	<u>33,945</u>	<u>171,686</u>
Balance at March 31, 2021	<u>\$ 113,885</u>	<u>2,230</u>	<u>34,113</u>	<u>36,036</u>	<u>186,264</u>

(j) Short-term loans

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Secured loans	\$ 114,456	138,035	112,446
Unsecured loans	<u>2,671,320</u>	<u>2,363,831</u>	<u>1,451,283</u>
Total	<u>\$ 2,785,776</u>	<u>2,501,866</u>	<u>1,563,729</u>
Unused credit line	<u>\$ 2,471,222</u>	<u>1,628,791</u>	<u>3,429,698</u>
Interest rate (%)	<u>0.39~2.95</u>	<u>0.29~4.09</u>	<u>0.29~2.95</u>

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

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(k) Long-term loans

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Secured loans	\$ 2,694,092	2,697,734	2,190,783
Unsecured loans	1,663,941	1,424,077	542,177
Less: deferred financing fee	<u>(2,564)</u>	<u>(3,010)</u>	<u>(4,596)</u>
Subtotal	4,355,469	4,118,801	2,728,364
Less: current portion	<u>(1,160,517)</u>	<u>(1,082,462)</u>	<u>(363,895)</u>
Total	<u>\$ 3,194,952</u>	<u>3,036,339</u>	<u>2,364,469</u>
Unused credit line	<u>\$ 2,783,684</u>	<u>3,080,336</u>	<u>4,081,050</u>
Interest rate (%)	<u>1.00~4.00</u>	<u>0.95~4.00</u>	<u>1.05~4.00</u>
Maturity date	<u>2022.8~2026.3</u>	<u>2022.8~2026.3</u>	<u>2022.8~2025.1</u>

(i) Collateral for loans

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

(ii) Loan contract

The agreements that the Group entered into with banks had no significant change for the three months ended March 31, 2022 and 2021. Please refer to note 6(k) of the 2021 consolidated financial statements for related information.

(l) Lease liabilities

The amounts of leased liability were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current	\$ 40,357	40,965	56,544
Non-current	<u>82,685</u>	<u>84,479</u>	<u>83,641</u>
	<u>\$ 123,042</u>	<u>125,444</u>	<u>140,185</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>997</u>	<u>1,372</u>
Expenses relating to short-term leases	<u>\$ 1,780</u>	<u>338</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 149</u>	<u>301</u>

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

	For the three months ended	
	March 31	
	2022	2021
Total cash outflow from operating activities	\$ 2,926	2,011
Total cash outflow from investing activities	11,931	25,721
Total cash outflow for leases	\$ 14,857	27,732

(i) Real estate leases

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

The Group leases office equipment and transportation equipment 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.

(m) 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, 2021 and 2020.

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

	For the three months ended	
	March 31	
	2022	2021
Operating costs	\$ 1,598	2,038
Administration expenses	1,195	1,178
	\$ 2,793	3,216

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(ii) Defined contribution plans

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

	For the three months ended	
	March 31	
	2022	2021
Administration expenses	\$ 259	236

(iii) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$7,221 thousand, \$6,383 thousand and \$7,060 thousand as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively.

(n) Income taxes

The amounts of income tax for the three months ended March 31, 2022 and 2021, were as follows:

	For the three months ended	
	March 31	
	2022	2021
Current tax expense		
Current period	\$ 4,953	28,135

The Company and AET are not required to pay income tax and file an income tax return in the country in which they are incorporated.

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

(o) 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 three months ended March 31, 2022 and 2021. Please refer to note 6(p) of the 2020 consolidated financial statements for related information.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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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 three months ended March 31, 2022 and 2021 was \$0 thousand and \$270 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 31, 2022, the employee remuneration, as well as the remuneration to directors and supervisors amounted to \$0 thousand and \$1,080 thousand, resulting in the difference of \$360 thousand from the Company's estimation of director's remuneration in 2021. The difference will be regarded as a change in accounting estimate by the Company and would be reflected in profit or loss for 2022. However, the distribution of earnings has yet to be approved during the shareholder's meeting.

On July 2, 2021, the shareholders' meeting resolved to distribute remuneration to employee, as well as remuneration to directors and supervisors of \$0 thousand and \$720 thousand, respectively, in accordance to the Company's estimation in the 2020. The related information is available on the Market Observation Post System website.

On March 31, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings. On July 2, 2021, the shareholder's meetings resolved to distribute the 2019 earnings. These earnings were appropriated as follows:

	<u>2021</u>	<u>2020</u>
Dividends distributed to ordinary shareholders		
Cash	\$ <u>759,752</u>	<u>569,814</u>

The related information about the earnings distribution that was approved by the Company's Board of Directors and resolved during the shareholder's meeting is available on the Market Observation Post System website.

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

(p) Earnings per share

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

	Unit: Thousand shares	
	For the three months ended	
	March 31	
	<u>2022</u>	<u>2021</u>
Basic EPS (Diluted EPS):		
Net income	\$ <u>413,935</u>	<u>154,384</u>
Weighted-average number of common shares outstanding	<u>189,938</u>	<u>189,938</u>
Basic EPS / Diluted EPS (New Taiwan Dollars)	\$ <u>2.18</u>	<u>0.81</u>

(q) Revenues from contracts with customers

(i) Disaggregation of revenue

	For the three months ended	
	March 31	
	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Vietnam	\$ 1,052,934	424,022
Singapore	906,052	626,309
Thailand	609,280	605,816
Korea	434,641	377,375
Other	<u>1,141,999</u>	<u>1,226,882</u>
	<u>\$ 4,144,906</u>	<u>3,260,404</u>
Main product/service line		
Single-layer PCB sales	\$ 143,156	151,019
Double-layer PCB sales	1,719,612	844,271
Multi-layer PCB sales	2,280,962	2,260,944
Other	10,005	7,845
Less: sales return and allowance	<u>(8,829)</u>	<u>(3,675)</u>
	<u>\$ 4,144,906</u>	<u>3,260,404</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(ii) Contract balances

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 211	-	624
Accounts receivable	4,374,430	4,378,017	3,755,854
Less: loss allowance	<u>(53,525)</u>	<u>(47,187)</u>	<u>(59,483)</u>
Total	<u>\$ 4,321,116</u>	<u>4,330,830</u>	<u>3,696,995</u>

(r) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Interest income on bank deposits	<u>\$ 16</u>	<u>145</u>

(ii) Other income

The details of other income were as follows:

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Income from cancellation of orders	\$ 11,142	5
Others	<u>5,005</u>	<u>3,050</u>
	<u>\$ 16,147</u>	<u>3,055</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Gains (losses) on disposal of property, plant and equipment	\$ (196)	949
Foreign exchange gains (losses), net	17,460	(17,496)
Valuation gains on financial assets (liabilities), net	3,410	5,389
Impairment loss	(3,816)	(3,966)
Other	<u>(2)</u>	<u>(49)</u>
	<u>\$ 16,856</u>	<u>(15,173)</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iv) Finance cost

The details of finance cost were as follows:

	For the three months ended	
	March 31	
	2022	2021
Interest expense on loans from banks	\$ 31,038	15,260
Interest expense on lease liabilities	997	1,372
Less: interest expense capitalized	(7,736)	(8,554)
	\$ 24,299	8,078

(s) 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 2021 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 36%, 38% and 34% of the total amount of notes and accounts receivable as of March 31, 2022, December 31, 2021, and March 31, 2021, respectively. As of March 31, 2022, December 31, 2021, and March 31, 2021, the Group's accounts receivable concentrated on three main customers were \$1,550,831 thousand, \$1,664,796 thousand and \$1,253,225 thousand, respectively.

3) Credit risk of accounts receivable

Please refer to note 6(d) for information on credit risk of accounts receivable; and note 6(e) 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
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(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>
March 31, 2022					
Non-derivative financial liabilities					
Short-term loans	\$ 2,785,776	2,794,058	2,794,058	-	-
Long-term loans	4,355,469	4,567,178	1,254,077	937,426	2,375,675
Lease liabilities	123,042	130,704	43,533	33,844	53,327
Accounts payable	3,443,836	3,443,836	3,443,836	-	-
Other payables (including payables on equipment)	1,541,050	1,541,050	1,541,050	-	-
Long-term payable	190,277	190,277	-	176,421	13,856
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(856,217)	(856,217)	-	-
Outflow	7,077	863,294	863,294	-	-
	<u>\$ 12,446,527</u>	<u>12,674,180</u>	<u>9,083,631</u>	<u>1,147,691</u>	<u>2,442,858</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term loans	\$ 2,501,866	2,507,677	2,507,677	-	-
Long-term loans	4,118,801	4,318,904	1,169,251	789,860	2,359,793
Lease liabilities	125,444	133,532	44,238	33,716	55,578
Accounts payable	3,537,424	3,537,424	3,537,424	-	-
Other payables (including payables on equipment)	1,632,808	1,632,808	1,632,808	-	-
Long-term payable	232,619	232,619	-	218,098	14,521
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(928,601)	(928,601)	-	-
Outflow	4,322	932,923	932,923	-	-
	<u>\$ 12,153,284</u>	<u>12,367,286</u>	<u>8,895,720</u>	<u>1,041,674</u>	<u>2,429,892</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>
March 31, 2021					
Non-derivative financial liabilities					
Short-term loans	\$ 1,563,729	1,565,850	1,565,850	-	-
Long-term loans	2,728,364	2,836,041	413,665	785,875	1,636,501
Lease liabilities	140,185	148,980	60,112	32,328	56,540
Accounts payable	2,828,877	2,828,877	2,828,877	-	-
Other payables (including payables on equipment)	1,137,705	1,137,705	1,137,705	-	-
Long-term payable	109,832	109,832	-	90,144	19,688
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(57,067)	(57,067)	-	-
Outflow	68	57,135	57,135	-	-
	<u>\$ 8,508,760</u>	<u>8,627,353</u>	<u>6,006,277</u>	<u>908,347</u>	<u>1,712,729</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>March 31, 2022</u>			<u>December 31, 2021</u>			<u>March 31, 2021</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	\$	149,933	28.50	4,273,093	143,590	27.59	3,961,867	131,657	28.37	3,735,437
Financial liabilities										
Monetary items										
USD		102,542	28.77	2,950,234	131,078	27.86	3,651,461	163,409	28.66	4,683,195

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.

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A 5% strengthening of the NTD and THB against the USD as at March 31, 2022 and 2021, would have increased (decreased) net profit before tax for the three months ended March 31, 2022 and 2021, by \$(66,000) thousand and \$47,000 thousand, respectively. The analysis assumes that all other variables remain constant, and is performed on the same basis for 2020.

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 \$17,460 thousand and \$(17,496) thousand for the three months ended March 31, 2022 and 2021, 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 \$4,465 thousand and \$2,685 thousand for the three months ended March 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates.

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(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:

	March 31, 2022				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets – current	\$ 11,870	-	11,870	-	11,870
Financial assets measured at amortized cost					
Cash and cash equivalents	761,081	-	-	-	-
Notes receivables	211	-	-	-	-
Accounts receivables	4,320,905	-	-	-	-
Other receivables	256,847	-	-	-	-
Refundable deposits	8,102	-	-	-	-
Other financial assets	9,718	-	-	-	-
Subtotal	<u>5,356,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,368,734</u>	<u>-</u>	<u>11,870</u>	<u>-</u>	<u>11,870</u>

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	March 31, 2022				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities – current	\$ <u>7,077</u>	<u>-</u>	<u>7,077</u>	<u>-</u>	<u>7,077</u>
Financial liabilities measured at amortized cost					
Short-term loans	2,785,776	-	-	-	-
Long-term loans	4,355,469	-	-	-	-
Lease liabilities	123,042	-	-	-	-
Accounts payable	3,443,836	-	-	-	-
Other payables (including payables on equipment)	1,541,050	-	-	-	-
Long-term payable	<u>190,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>12,439,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,446,527</u>	<u>-</u>	<u>7,077</u>	<u>-</u>	<u>7,077</u>
	December 31, 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	\$ <u>9,285</u>	<u>-</u>	<u>9,285</u>	<u>-</u>	<u>9,285</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	660,374	-	-	-	-
Accounts receivables	4,330,830	-	-	-	-
Other receivables	201,583	-	-	-	-
Refundable deposits	7,811	-	-	-	-
Other financial assets	<u>8,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>5,208,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,218,089</u>	<u>-</u>	<u>9,285</u>	<u>-</u>	<u>9,285</u>

(Continued)

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

	December 31, 2021				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities – current	\$ 4,322	-	4,322	-	4,322
Financial liabilities measured at amortized cost					
Short-term loans	2,501,866	-	-	-	-
Long-term loans	4,118,801	-	-	-	-
Lease liabilities	125,444	-	-	-	-
Accounts payable	3,537,424	-	-	-	-
Other payables (including payables on equipment)	1,632,808	-	-	-	-
Long-term payable	<u>232,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>12,148,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,153,284</u>	<u>-</u>	<u>4,322</u>	<u>-</u>	<u>4,322</u>

(Continued)

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

	March 31, 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	\$ 9,175	-	9,175	-	9,175
Financial assets measured at amortized cost					
Cash and cash equivalents	863,120	-	-	-	-
Financial assets measured at amortized cost	199,717	-	-	-	-
Notes receivables	624	-	-	-	-
Accounts receivables	3,696,371	-	-	-	-
Other receivables	161,922	-	-	-	-
Refundable deposits	7,737	-	-	-	-
Other financial assets	805	-	-	-	-
Subtotal	4,930,296	-	-	-	-
Total	\$ 4,939,471	-	9,175	-	9,175
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities – current	\$ 68	-	68	-	68
Financial liabilities measured at amortized cost					
Short-term loans	1,563,729	-	-	-	-
Long-term loans	2,728,364	-	-	-	-
Lease liabilities	140,185	-	-	-	-
Accounts payable	2,828,877	-	-	-	-
Other payables (including payables on equipment)	1,137,705	-	-	-	-
Long-term payable	109,832	-	-	-	-
Subtotal	8,508,692	-	-	-	-
Total	\$ 8,508,760	-	68	-	68

(Continued)

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

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 equivalents, financial assets 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 loans, lease liabilities, and long-term payable are 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 loans are recognized at 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 at book value.

b) Derivative financial instruments

Forward exchange contracts were usually estimated by the current forward exchange rates of the transaction banks.

(t) 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 2021 consolidated financial statements for related information.

(u) Capital management

The purpose, policy, procedures, and summarized quantitative data of the Group's capital management were the same as those disclosed in the 2021 consolidated financial statements. Please refer to note 6(v) of the 2021 consolidated financial statements for related information.

(v) Non-cash investing and financing activities

For the three months ended March 31, 2022 and 2021, the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment and right-of-use asset through leasing. Please refer to note 6(l) for related information.

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

Reconciliation of liabilities from financing activities were as follows:

	January 1, 2022	Cash flows	Non-cash changes Acquisition or termination of contracts	Translation effect	March 31, 2022
Long-term loans	\$ 4,118,801	105,562	-	131,106	4,355,469
Short-term loans	2,501,866	191,078	-	92,832	2,785,776
Lease liabilities	125,444	(11,931)	5,300	4,229	123,042
Total liabilities from financing activities	<u>\$ 6,746,111</u>	<u>284,709</u>	<u>5,300</u>	<u>228,167</u>	<u>7,264,287</u>

	January 1, 2021	Cash flows	Non-cash changes Acquisition or termination of contracts	Translation effect	March 31, 2021
Long-term loans	\$ 2,327,927	497,287	-	(96,850)	2,728,364
Short-term loans	1,369,949	261,778	-	(67,998)	1,563,729
Lease liabilities	145,055	(25,721)	26,944	(6,093)	140,185
Total liabilities from financing activities	<u>\$ 3,842,931</u>	<u>733,344</u>	<u>26,944</u>	<u>(170,941)</u>	<u>4,432,278</u>

(7) Related-party transactions:

- (a) Parent Company and ultimate controlling party

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

- (b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Wang Shu Mu	Chairman of the Company

(Continued)

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

(c) Significant transactions with related parties – Guarantee

For the three months ended March 31, 2022 and 2021, 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 March 31	
	2022	2021
Short-term employee benefits	\$ 11,455	10,864
Post-employment benefits	108	166
Other long-term benefits	1	1
	\$ 11,564	11,031

(8) Pledged assets:

Pledged assets	Object	March 31, 2022	December 31, 2021	March 31, 2021
Other financial assets				
– non-current:				
Restricted bank deposits	Long-term loans and derivative instruments not used for hedging	\$ 9,718	8,206	805
Property, plant, and equipment:				
Land	Long-term and short-term loans	376	363	398
Buildings	Long-term and short-term loans	35,445	35,826	44,328
Machinery and equipment	Long-term, short-term loans and electricity guarantee	1,108,116	1,100,397	922,116
Total		\$ 1,153,655	1,144,792	967,647

(9) Significant commitments and contingencies:

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

	March 31, 2022	December 31, 2021	March 31, 2021
Acquisition of property, plant and equipment	\$ 772,083	1,165,428	1,090,640
Long-term commitments	45,397	42,990	70,245
Total	\$ 817,480	1,208,418	1,160,885

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

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Letters of credit	\$ <u>100,740</u>	<u>149,333</u>	<u>104,529</u>

(c) Guarantees provided by banks were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Electricity guarantee	\$ <u>81,623</u>	<u>78,785</u>	<u>80,432</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 March 31					
	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	390,866	76,461	467,327	400,788	75,018	475,806
Health insurance	-	461	461	-	423	423
Pension	1,598	1,454	3,052	2,038	1,414	3,452
Remuneration to directors	-	270	270	-	180	180
Other personnel expense	41,315	31,358	72,673	37,365	13,323	50,688
Depreciation	217,480	27,637	245,117	171,341	22,270	193,611
Amortization	1,611	2,658	4,269	1,511	2,672	4,183

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

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2022:

- (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	APT	2	24,299,814 (Note 2)	8,103,924	8,103,924	4,672,174	-	100.05 %	24,299,814 (Note 3)	Y	N	N
2	APT	The Company	3	4,293,257 (Note 4)	1,030,384	1,030,384	515,196	-	12.77 %	4,293,257 (Note 5)	N	Y	N
3	APT	APS	2	4,293,257 (Note 4)	696,519	696,519	383,534	-	8.63 %	4,293,257 (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 for the guarantee provided to a specific enterprise 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 net worth 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 APT's net worth.

Note 5: Total amount of the guarantee provided by APT is limited to 50% of its net worth.

- (iii) Securities held as of March 31, 2022 (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 note 6(b)
- (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 three months ended March 31, 2022:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2022			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				March 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value (Notes 1 and 2)			
The Company	APT	Thailand	PCB (printed circuit board) manufacturing and sales	3,311,762	3,311,762	143,194	99.58 %	8,586,514	427,643	425,847	
The Company	AET	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	6,346	1,226	150	
APT	APS	Thailand	PCB (printed circuit board) manufacturing and sales	277,485	277,485	32	99.99 %	197,174	4,485	4,485 (Note 3)	
APS	APSS	Singapore	PCB sales development	8,195	8,195	402	100.00 %	5,298	(612)	793	

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

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

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

(c) Information on investment in China:

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

Unit: in thousands of dollars

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2022 (Note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2022 (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	-	-	-	-	(701) (RMB(159))	99.58 %	681 (RMB154)	(17,453) (RMB3,819)	-

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

- (1) Direct investment in China.
- (2) Indirect investment in China through investment in Thailand (APT).
- (3) Other methods.

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

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

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

Note 5: The book value at end of year are calculated by using the exchange rate on March 31, 2022 (BS exchange rate RMB:TWD=1:4.5701).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=1:4.4190).

(ii) Limitation on investment in China: None.

(iii) Significant transactions in China: None.

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

(d) Major shareholders:

Unit: share			
Shareholder's Name	Shareholding	Shares	Percentage
Lu Yan Xian		18,000,000	9.47 %
Jin Da He Co., Ltd.		10,585,000	5.57 %

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 March 31			
	2022			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 4,143,100	-	1,806	4,144,906
Intersegment revenues	5,915	66,124	(72,039)	-
Total revenue	<u>\$ 4,149,015</u>	<u>66,124</u>	<u>(70,233)</u>	<u>4,144,906</u>
Reportable segment profit or loss	<u>\$ 433,539</u>	<u>(11,828)</u>	<u>(1,026)</u>	<u>420,685</u>
	For the three months ended March 31			
	2021			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 3,260,404	-	-	3,260,404
Intersegment revenues	2,638	53,558	(56,196)	-
Total revenue	<u>\$ 3,263,042</u>	<u>53,558</u>	<u>(56,196)</u>	<u>3,260,404</u>
Reportable segment profit or loss	<u>\$ 191,547</u>	<u>(4,129)</u>	<u>(4,224)</u>	<u>183,194</u>

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

For the three months ended March 31, 2022 and 2021, the adjustments and eliminations of the intersegment net profit to the reportable segment profit or loss were \$(1,026) thousand and \$(4,224) thousand, respectively.