

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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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安侯建業聯合會計師事務所

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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 September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 30, 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 September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 30, 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)
November 10, 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 September 30, 2022 and 2021

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2022		December 31, 2021		September 30, 2021			September 30, 2022		December 31, 2021		September 30, 2021			
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%		
Assets								Liabilities and Equity							
11xx Current assets:							21xx Current liabilities:								
1100 Cash and cash equivalents (note 6(a))	\$	653,474	3	660,374	3	1,010,135	6	2100 Short-term loans (notes 6(f), (i), 7, 8 and 9)	\$	3,278,944	16	2,501,866	13	1,723,309	10
1110 Financial assets measured at fair value through profit or loss – current (notes 6(a), (b) and 8)		23,328	-	9,285	-	52,880	-	2120 Financial liabilities measured at fair value through profit or loss – current (notes 6(a), (b) and 8)		7,779	-	4,322	-	-	-
1150 Notes receivable, net (notes 6(c) and (p))		185	-	-	-	890	-	2170 Accounts payable		1,978,015	10	3,537,424	18	3,545,364	20
1170 Accounts receivable, net (notes 6(c) and (p))		4,448,071	22	4,330,830	22	3,698,490	20	2200 Other payables (note 6(n))		638,342	3	569,841	3	571,668	3
1200 Other receivables (note 6(d))		81,738	1	201,583	1	178,371	1	2213 Payable for machinery and equipment		683,854	3	1,062,967	5	985,087	5
130x Inventories (note 6(e))		3,492,112	17	3,737,962	19	3,312,025	18	2230 Current tax liabilities		42,480	-	22,826	-	12,024	-
1470 Other current assets		52,369	-	125,942	1	107,188	1	2280 Current lease liabilities (notes 6(g) and (k))		37,399	-	40,965	-	41,555	-
Total current assets		<u>8,751,277</u>	<u>43</u>	<u>9,065,976</u>	<u>46</u>	<u>8,359,979</u>	<u>46</u>	2322 Current portion of long-term loans (notes 6(a), (f), (j), 7 and 8)		1,124,082	6	1,082,462	6	475,567	3
15xx Non-current assets:							2399 Other current liabilities		80,676	1	71,931	-	38,021	-	
1600 Property, plant and equipment (notes 6(f), (g), (h), (i), (j), 8 and 9)		10,902,976	54	10,149,438	51	8,946,502	50	Total current liabilities		<u>7,871,571</u>	<u>39</u>	<u>8,894,604</u>	<u>45</u>	<u>7,392,595</u>	<u>41</u>
1755 Right-of-use asset (notes 6(f), (g) and (k))		121,947	1	123,219	1	169,368	1	25xx Non-Current liabilities:							
1780 Intangible assets (notes 6(f) and (h))		167,610	1	168,418	1	169,658	1	2540 Long-term loans (notes 6(a), (f), (j), 7 and 8)		4,469,832	23	3,036,339	15	3,390,281	20
1840 Deferred tax assets		31,429	-	32,157	-	21,930	-	2570 Deferred tax liabilities		57,038	-	55,976	-	48,249	-
1915 Prepayment for equipment (note 6(f))		155,281	1	240,198	1	305,145	2	2580 Non-current lease liabilities (notes 6(g) and (k))		86,943	1	84,479	1	81,907	-
1920 Refundable deposits		7,732	-	7,811	-	7,955	-	2612 Long-term payable		53,750	-	232,619	1	174,948	1
1980 Other financial assets – non-current (notes 6(a), (b), (j) and 8)		19,187	-	8,206	-	8,253	-	2670 Other non-current liabilities (note 6(l))		69,914	-	61,725	-	69,580	-
Total non-current assets		<u>11,406,162</u>	<u>57</u>	<u>10,729,447</u>	<u>54</u>	<u>9,628,811</u>	<u>54</u>	2xxx Total non-current liabilities		<u>4,737,477</u>	<u>24</u>	<u>3,471,138</u>	<u>17</u>	<u>3,764,965</u>	<u>21</u>
								31xx Total liabilities		<u>12,609,048</u>	<u>63</u>	<u>12,365,742</u>	<u>62</u>	<u>11,157,560</u>	<u>62</u>
								31xx Equity attributable to owners of parent (note 6(n)):							
								3110 Common stock		1,899,380	9	1,899,380	10	1,899,380	11
								3200 Capital surplus		2,405,512	12	2,405,512	12	2,405,512	13
								3300 Retained earnings		4,213,652	21	4,140,552	21	3,582,917	20
								3410 Exchange differences on translation of foreign financial statements		(1,001,397)	(5)	(1,048,969)	(5)	(1,087,227)	(6)
								Total equity attributable to owners of parent		<u>7,517,147</u>	<u>37</u>	<u>7,396,475</u>	<u>38</u>	<u>6,800,582</u>	<u>38</u>
								36xx Non-controlling interests		31,244	-	33,206	-	30,648	-
								3xxx Total equity		<u>7,548,391</u>	<u>37</u>	<u>7,429,681</u>	<u>38</u>	<u>6,831,230</u>	<u>38</u>
1xxx Total assets	\$	<u>20,157,439</u>	<u>100</u>	<u>19,795,423</u>	<u>100</u>	<u>17,988,790</u>	<u>100</u>	2-3xxx Total liabilities and equity	\$	<u>20,157,439</u>	<u>100</u>	<u>19,795,423</u>	<u>100</u>	<u>17,988,790</u>	<u>100</u>

(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 and nine months ended September 30, 2022 and 2021

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

	For the three months ended September 30				For the nine months ended September 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(p))	\$ 3,199,090	100	3,610,633	100	11,315,370	100	10,364,094	100
5000	Operating costs (notes 6(e), (f), (g), (h), (k) and (l))	<u>2,660,676</u>	<u>83</u>	<u>2,770,030</u>	<u>77</u>	<u>9,025,656</u>	<u>80</u>	<u>8,239,982</u>	<u>80</u>
5900	Gross profit from operations	<u>538,414</u>	<u>17</u>	<u>840,603</u>	<u>23</u>	<u>2,289,714</u>	<u>20</u>	<u>2,124,112</u>	<u>20</u>
6000	Operating expenses (notes 6(c), (f), (g), (h), (k), (l), (n) and 7):								
6188	Selling expenses	231,501	7	204,798	6	731,784	7	604,748	6
6200	Administrative expenses	166,518	5	215,676	6	549,983	5	523,558	5
6300	Research and development expenses	10,560	-	10,150	-	40,922	-	30,988	-
6450	Expected credit loss (reversal of expected credit loss)	<u>21,326</u>	<u>1</u>	<u>(6,003)</u>	<u>-</u>	<u>44,959</u>	<u>-</u>	<u>44,123</u>	<u>-</u>
	Total operating expenses	<u>429,905</u>	<u>13</u>	<u>424,621</u>	<u>12</u>	<u>1,367,648</u>	<u>12</u>	<u>1,203,417</u>	<u>11</u>
6900	Operating income	<u>108,509</u>	<u>4</u>	<u>415,982</u>	<u>11</u>	<u>922,066</u>	<u>8</u>	<u>920,695</u>	<u>9</u>
7000	Non-operating income and expenses (notes 6(b), (f), (k) and (q)):								
7100	Interest income	348	-	16	-	593	-	307	-
7010	Other income	2,385	-	8,477	-	25,332	-	28,350	-
7020	Other gains and losses	33,300	1	(32,358)	(1)	63,265	1	(51,956)	(1)
7050	Finance costs	<u>(47,124)</u>	<u>(2)</u>	<u>(8,142)</u>	<u>-</u>	<u>(102,891)</u>	<u>(1)</u>	<u>(22,364)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(11,091)</u>	<u>(1)</u>	<u>(32,007)</u>	<u>(1)</u>	<u>(13,701)</u>	<u>-</u>	<u>(45,663)</u>	<u>(1)</u>
7900	Profit from continuing operations before tax	97,418	3	383,975	10	908,365	8	875,032	8
7951	Less: Income tax expenses (note 6(m))	<u>39,299</u>	<u>1</u>	<u>1,282</u>	<u>-</u>	<u>71,870</u>	<u>1</u>	<u>44,670</u>	<u>-</u>
8200	Profit	<u>58,119</u>	<u>2</u>	<u>382,693</u>	<u>10</u>	<u>836,495</u>	<u>7</u>	<u>830,362</u>	<u>8</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	(58,310)	(2)	(405,636)	(11)	47,793	-	(1,085,527)	(10)
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	<u>(58,310)</u>	<u>(2)</u>	<u>(405,636)</u>	<u>(11)</u>	<u>47,793</u>	<u>-</u>	<u>(1,085,527)</u>	<u>(10)</u>
8300	Other comprehensive income (loss)	<u>(58,310)</u>	<u>(2)</u>	<u>(405,636)</u>	<u>(11)</u>	<u>47,793</u>	<u>-</u>	<u>(1,085,527)</u>	<u>(10)</u>
8500	Total comprehensive income (loss)	<u>\$ (191)</u>	<u>-</u>	<u>(22,943)</u>	<u>(1)</u>	<u>884,288</u>	<u>7</u>	<u>(255,165)</u>	<u>(2)</u>
	Profit attributable to:								
8610	Owners of parent	\$ 57,845	2	381,032	10	832,852	7	826,747	8
8620	Non-controlling interests	<u>274</u>	<u>-</u>	<u>1,661</u>	<u>-</u>	<u>3,643</u>	<u>-</u>	<u>3,615</u>	<u>-</u>
		<u>\$ 58,119</u>	<u>2</u>	<u>382,693</u>	<u>10</u>	<u>836,495</u>	<u>7</u>	<u>830,362</u>	<u>8</u>
	Comprehensive income (loss) attributable to:								
8710	Owners of parent	\$ (240)	-	(22,899)	(1)	880,424	7	(254,236)	(2)
8720	Non-controlling interests	<u>49</u>	<u>-</u>	<u>(44)</u>	<u>-</u>	<u>3,864</u>	<u>-</u>	<u>(929)</u>	<u>-</u>
		<u>\$ (191)</u>	<u>-</u>	<u>(22,943)</u>	<u>(1)</u>	<u>884,288</u>	<u>7</u>	<u>(255,165)</u>	<u>(2)</u>
	Earnings per share (expressed in New Taiwan dollars) (note 6(o))								
9750	Basic earnings per share	<u>\$ 0.30</u>		<u>2.01</u>		<u>4.38</u>		<u>4.35</u>	
9850	Diluted earnings per share	<u>\$ 0.30</u>		<u>2.01</u>		<u>4.38</u>		<u>4.35</u>	

See accompanying notes to consolidated financial statements.

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 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
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary share	-	-	-	(569,814)	(569,814)	-	(569,814)	-	(569,814)
Profit	-	-	-	826,747	826,747	-	826,747	3,615	830,362
Other comprehensive income	-	-	-	-	-	(1,080,983)	(1,080,983)	(4,544)	(1,085,527)
Total comprehensive income (loss)	-	-	-	826,747	826,747	(1,080,983)	(254,236)	(929)	(255,165)
Cash dividends distributed to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(4,762)	(4,762)
Balance at September 30, 2021	<u>\$ 1,899,380</u>	<u>2,405,512</u>	<u>300,256</u>	<u>3,282,661</u>	<u>3,582,917</u>	<u>(1,087,227)</u>	<u>6,800,582</u>	<u>30,648</u>	<u>6,831,230</u>
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
Appropriation and distribution of retained earnings:									
Special reserve appropriated	-	-	748,713	(748,713)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(759,752)	(759,752)	-	(759,752)	-	(759,752)
Profit	-	-	-	832,852	832,852	-	832,852	3,643	836,495
Other comprehensive income	-	-	-	-	-	47,572	47,572	221	47,793
Total comprehensive income (loss)	-	-	-	832,852	832,852	47,572	880,424	3,864	884,288
Cash dividends distributed to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(5,826)	(5,826)
Balance at September 30, 2022	<u>\$ 1,899,380</u>	<u>2,405,512</u>	<u>1,048,969</u>	<u>3,164,683</u>	<u>4,213,652</u>	<u>(1,001,397)</u>	<u>7,517,147</u>	<u>31,244</u>	<u>7,548,391</u>

See accompanying notes to consolidated financial statements.

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 908,365	875,032
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	778,757	579,062
Amortization expense	13,464	12,651
Expected credit loss	44,959	44,123
Interest expense	102,891	22,364
Interest income	(593)	(307)
Loss (gain) on disposal of property, plant and equipment	24,780	(158)
Valuation gains on financial assets or liabilities, net	(46,037)	-
Loss (gain on reversal) of impairment on non-financial assets	(13,642)	12,000
Gain on lease modification	(336)	(27)
Total adjustments to reconcile profit	904,243	669,708
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	39,773	(42,288)
Notes receivable	(185)	(229)
Accounts receivable	(162,200)	(58,863)
Other receivables	119,845	(107,329)
Inventories	245,850	(1,084,145)
Other current assets	73,573	3,009
Total changes in operating assets	316,656	(1,289,845)
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(4,322)	(8,279)
Accounts payable	(1,559,409)	1,110,685
Other payables	65,444	65,451
Other current liabilities	8,745	(458)
Other non-current liabilities	8,189	2,265
Total changes in operating liabilities	(1,481,353)	1,169,664
Total changes in operating assets and liabilities	(1,164,697)	(120,181)
Total adjustments	(260,454)	549,527
Cash inflow generated from operations	647,911	1,424,559
Interest received	593	307
Interest paid	(99,834)	(20,356)
Income taxes paid	(50,743)	(51,006)
Net cash flows from operating activities	497,927	1,353,504
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(1,618,579)	(2,313,754)
Proceeds from disposal of property, plant and equipment	805	15,906
Decrease (increase) in refundable deposits	79	(1)
Acquisition of intangible assets	(7,091)	(18,008)
Increase in other financial assets — non-current	(10,981)	(3,942)
Increase in prepayments for equipment	(244,231)	(292,192)
Net cash flows used in investing activities	(1,879,998)	(2,611,991)
Cash flows from (used in) financing activities:		
Increase in short-term loans	751,610	580,211
Proceeds from long-term loans	2,375,684	3,177,835
Repayments of long-term loans	(931,493)	(1,287,978)
Payment of lease liabilities	(34,691)	(65,790)
Cash dividends paid	(759,752)	(569,814)
Cash dividends distributed to non-controlling interests	(5,826)	(4,762)
Net cash flows from financing activities	1,395,532	1,829,702
Effect of exchange rate changes on cash and cash equivalents	(20,361)	(382,762)
Net increase (decrease) in cash and cash equivalents	(6,900)	188,453
Cash and cash equivalents at beginning of period	660,374	821,682
Cash and cash equivalents at end of period	\$ 653,474	1,010,135

See accompanying notes to consolidated financial statements.

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 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. The Company and its subsidiaries are hereinafter referred to as the Group.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on November 10, 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. (“FSC”)

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 the FSC but not yet effective

The Group's adoption of the new amendments, effective for annual period beginning on January 1, 2023, are expected to have the following impacts:

- (i) 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. The Group may need to recognize equal deferred income tax assets and deferred income tax liabilities and is evaluating the impact of its initial adoption of the amendments on its consolidated financial position.

- (ii) Amendments to IAS 1 "Disclosure of Accounting Policies"

The key amendments to IAS 1 include:

- 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.

The Group is continuing on evaluating and reviewing the accounting policies that should be disclosed in the consolidated financial statements to comply with the amendment.

- (iii) Other amendments

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 8 "Definition of Accounting Estimates"

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

- (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:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 IAS1 amendments, the new amendments clarify that only covenants with which a company must comply on or before the reporting date will affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect the classification a liability at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users of their financial statements understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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”

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(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, International Financial Reporting Interpretations Committee ("IFRIC") and Standing Interpretations Committee ("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 (%)		
			September 30, 2022	December 31, 2021	September 30, 2021
The Company	Apex Circuit (Thailand) Co., Ltd. (APT)	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 %
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.

(Continued)

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(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.

(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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash	\$ 1,553	1,384	3,360
Demand deposits	573,559	630,767	843,558
Checking deposits	5,353	19,916	154,857
Time deposits	<u>73,009</u>	<u>8,307</u>	<u>8,360</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 653,474</u>	<u>660,374</u>	<u>1,010,135</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Restricted bank deposit	\$ <u>19,187</u>	<u>8,206</u>	<u>8,253</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 at fair value through profit or loss

(i) Financial assets at fair value through profit or loss – Current

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>23,328</u>	<u>9,285</u>	<u>52,880</u>

(ii) Financial liabilities at fair value through profit or loss – Current

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial liabilities held-for- trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>7,779</u>	<u>4,322</u>	<u>-</u>

Please refer to note 6(q) 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 September 30, 2022, December 31, 2021, and September 30, 2021.

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

Forward exchange contracts:

September 30, 2022					
	Amount	Currency	Maturity dates	Fair value of	assets
	(in thousands)			(liabilities)	(liabilities)
Forward exchange purchased	USD 15,504	USD to THB	2022.10.26 ~2023.3.15	\$	22,962
Forward exchange sold	USD 1,000	USD to THB	2022.10.26 ~2023.3.15		366
					\$ 23,328
Forward exchange sold	USD 8,000	USD to THB	2022.10.27 ~2022.12.6	\$	(7,779)
					(7,779)
December 31, 2021					
	Amount	Currency	Maturity dates	Fair value of	assets
	(in thousands)			(liabilities)	(liabilities)
Forward exchange purchased	USD 21,390	USD to THB	2022.1.4 ~2022.5.31	\$	9,285
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)
					\$ (4,322)
					(4,322)
September 30, 2021					
	Amount	Currency	Maturity dates	Fair value of	assets
	(in thousands)			(liabilities)	(liabilities)
Forward exchange purchased	USD 16,000	NTD to USD	2022.2.14	\$	385
Forward exchange purchased	USD 41,680	THB to USD	2021.10.4 ~2022.3.28		52,495
					\$ 52,880
					52,880

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

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

(c) Notes receivable and accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	\$ 185	-	890
Accounts receivable	4,540,495	4,378,017	3,745,349
Less: loss allowance	(92,424)	(47,187)	(46,859)
	<u>\$ 4,448,256</u>	<u>4,330,830</u>	<u>3,699,380</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on 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.

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

	September 30, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 510,774	0.58	2,937
Past due 1~30 days	104,710	2.40	2,511
Past due 31~60 days	90,854	9.02	8,191
Past due 61~90 days	9,597	16.42	1,576
Past due 91~120 days	7,800	38.42	2,997
Past due 121~180 days	10,402	63.37	6,592
	<u>\$ 734,137</u>		<u>24,804</u>
	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
	<u>\$ 473,952</u>		<u>7,845</u>

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

	September 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 361,625	0.60	2,169
Past due 1~30 days	122,892	2.68	2,930
Past due 31~60 days	33,401	8.97	2,997
Past due 61~90 days	2	-	-
Past due 91~120 days	110	37.27	41
Past due 121~180 days	18	50.00	9
Past due over 180 days	162	100.00	162
	\$ 518,210		8,308

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

	September 30, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 298,832	-	-
Past due 1~30 days	22,444	-	-
Past due 31~60 days	6,640	0.02	1
Past due 91~120 days	395	27.34	108
	\$ 328,311		109

	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		-

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

	September 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 263,447	-	-
Past due 1~30 days	21,950	-	-
Past due 31~60 days	6,052	-	-
Past due 61~90 days	5	-	-
	\$ 291,454		-

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

	September 30, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 2,107	100.00	2,107

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

	September 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,848	100.00	1,848

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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 notes receivable and accounts receivable in other Asian region were as follows:

	September 30, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,658,022	0.01	94
Past due 1~30 days	293,960	-	10
Past due 31~60 days	11,497	-	-
Past due 61~90 days	557	-	-
Past due 91~120 days	2,130	14.98	319
Past due over 180 days	2,878	100.00	2,878
	\$ 1,969,044		3,301

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 \$39,835 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

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.

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

	September 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,840,587	0.01	116
Past due 1~30 days	255,904	0.03	69
Past due 31~60 days	10,816	0.31	33
Past due 61~90 days	1,895	-	-
Past due 91~120 days	849	14.96	127
Past due over 180 days	175	100.00	175
	\$ 2,110,226		520

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 \$34,930 thousand.

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

	September 30, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,084,507	0.21	2,236
Past due 1~30 days	232,211	0.74	1,727
Past due 31~60 days	75,317	2.19	1,650
Past due 61~90 days	11,917	4.41	526
Past due 91~120 days	3,025	12.93	391
Past due 121~180 days	60,248	26.09	15,717
Past due over 180 days	21	100.00	21
	\$ 1,467,246		22,268

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

	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
	September 30, 2021		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 714,386	0.10	701
Past due 1~30 days	55,538	0.51	282
Past due 31~60 days	19,647	1.37	270
	\$ 789,571		1,253

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

	For the nine months ended September 30	
	2022	2021
Balance at the beginning	\$ 47,187	6,896
Impairment losses	44,959	44,123
Foreign exchange losses (gains)	278	(4,160)
Balance at the ending	\$ 92,424	46,859

(d) Other receivables

	September 30, 2022	December 31, 2021	September 30, 2021
Other receivables	\$ 81,738	201,583	178,371

The Group did not have any past due other receivables as of September 30, 2022, December 31, 2021, and September 30, 2021.

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

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(e) Inventories

	September 30, 2022		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 1,162,858	(100,072)	1,062,786
Work in process	430,653	(12,914)	417,739
Finished goods	1,337,314	(125,728)	1,211,586
Supplies and spare parts	842,485	(61,667)	780,818
Goods in transit	14,865	-	14,865
Merchandise inventory	4,318	-	4,318
Total	\$ 3,792,493	(300,381)	3,492,112

	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	18,109	-	18,109
Total	\$ 3,918,603	(180,641)	3,737,962

	September 30, 2021		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 1,200,805	(38,915)	1,161,890
Work in process	523,630	(13,390)	510,240
Finished goods	925,182	(74,796)	850,386
Supplies and spare parts	693,490	(40,414)	653,076
Goods in transit	130,003	-	130,003
Merchandise inventory	6,430	-	6,430
Total	\$ 3,479,540	(167,515)	3,312,025

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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For the nine months ended September 30, 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 September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Allowance for inventory valuation and obsolescence losses	\$ 101,627	1,022	118,325	74,281
Revenue from sale of scrap	(90,462)	(106,423)	(350,591)	(335,775)
Loss (reversal gain) on inventory write-off	(337)	-	44,570	10,841
Unallocated manufacturing expense	95,156	89,761	327,067	227,334
	\$ 105,984	(15,640)	139,371	(23,319)

As of September 30, 2022, December 31, 2021, and September 30, 2021, the Group did not pledge its inventory as collateral.

(f) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the nine months ended September 30, 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	-	4,725	144,865	332,430	296	35,196	141	542,944	1,060,597
Disposals	-	-	(224)	(160,086)	(15)	(3,613)	-	-	(163,938)
Reclassification (notes 1 and 2)	-	-	273,794	1,199,282	-	66,209	-	(1,210,125)	329,160
Translation effect	8,089	59	33,733	100,852	257	6,001	264	32,058	181,313
Balance at September 30, 2022	\$ 672,820	12,226	3,452,074	10,506,665	21,750	650,910	23,239	1,636,180	16,975,864
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	933	108	63,431	296,487	2,087	83,790	7,243	2,384,640	2,838,719
Disposals	-	-	(1,422)	(50,366)	-	(2,349)	-	-	(54,137)
Reclassification (notes 1, 2 and 3)	-	-	29,218	546,130	-	129	-	(172,507)	402,970
Translation effect	(99,766)	(1,093)	(263,180)	(887,372)	2,555	(68,523)	(2,640)	(303,027)	(1,623,046)
Balance at September 30, 2021	\$ 642,013	7,081	2,151,451	7,813,092	20,602	487,653	22,458	2,957,008	14,101,358

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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>
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	-	987	136,364	546,038	1,019	57,023	2,157	-	743,588
Gain on reversal of impairment	-	-	-	(13,642)	-	-	-	-	(13,642)
Disposals	-	-	(122)	(134,856)	(15)	(3,360)	-	-	(138,353)
Translation effect	-	54	10,982	47,181	200	3,462	122	-	62,001
Balance at September 30, 2022	<u>\$ -</u>	<u>6,011</u>	<u>1,123,759</u>	<u>4,538,243</u>	<u>18,180</u>	<u>372,157</u>	<u>14,538</u>	<u>-</u>	<u>6,072,888</u>
Balance at January 1, 2021	\$ -	4,834	902,104	3,783,721	12,619	306,078	10,954	-	5,020,310
Depreciation	-	599	98,492	325,077	825	37,024	1,848	-	463,865
Impairment loss	-	-	-	12,000	-	-	-	-	12,000
Disposals	-	-	(520)	(35,676)	-	(2,193)	-	-	(38,389)
Reclassification (note 3)	-	-	-	115,712	-	-	-	-	115,712
Translation effect	-	(694)	(72,405)	(304,851)	3,094	(42,469)	(1,317)	-	(418,642)
Balance at September 30, 2021	<u>\$ -</u>	<u>4,739</u>	<u>927,671</u>	<u>3,895,983</u>	<u>16,538</u>	<u>298,440</u>	<u>11,485</u>	<u>-</u>	<u>5,154,856</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 September 30, 2022	<u>\$ 672,820</u>	<u>6,215</u>	<u>2,328,315</u>	<u>5,968,422</u>	<u>3,570</u>	<u>278,753</u>	<u>8,701</u>	<u>1,636,180</u>	<u>10,902,976</u>
Balance at September 30, 2021	<u>\$ 642,013</u>	<u>2,342</u>	<u>1,223,780</u>	<u>3,917,109</u>	<u>4,064</u>	<u>189,213</u>	<u>10,973</u>	<u>2,957,008</u>	<u>8,946,502</u>

Note 1: The cost of \$332,657 thousand and \$245,467 thousand, respectively, were reclassified from prepayment for equipment for the nine months ended September 30, 2022 and 2021.

2. The cost of \$3,497 thousand and \$2,037 thousand were reclassified from equipment undergoing acceptance testing of property, plant and equipment to intangible assets for the nine months ended September 30, 2022 and 2021.

3. The cost of \$159,540 thousand and accumulated derecognition of \$94,382 thousand were reclassified from right-of-use asset for the nine months ended September 30, 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:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Loss (gain on reversal) of impairment	<u>\$ (21,311)</u>	<u>3,779</u>	<u>(13,642)</u>	<u>12,000</u>

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(q) for the amount of interest expenses capitalized.

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

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

(g) 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	29,190	7,794	4,959	-	41,943
Disposals (end of contract and early termination of contract)	(16,016)	-	-	-	(16,016)
Translation effect	1,481	774	499	15	2,769
Balance at September 30, 2022	<u>\$ 139,551</u>	<u>76,327</u>	<u>48,739</u>	<u>1,251</u>	<u>265,868</u>
Balance at January 1, 2021	\$ 101,810	298,022	41,670	1,418	442,920
Additions	26,852	30,491	6,356	-	63,699
Disposals (end of contract and early termination of contract)	(1,707)	-	-	-	(1,707)
Reclassification	-	(159,540)	-	-	(159,540)
Translation effect	(13,591)	(30,654)	(6,041)	(191)	(50,477)
Balance at September 30, 2021	<u>\$ 113,364</u>	<u>138,319</u>	<u>41,985</u>	<u>1,227</u>	<u>294,895</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2022	\$ 52,408	34,476	26,428	641	113,953
Depreciation	18,739	10,052	6,117	261	35,169
Disposals (end of contract and early termination of contract)	(6,407)	-	-	-	(6,407)
Translation effect	559	354	286	7	1,206
Balance at September 30, 2022	<u>\$ 65,299</u>	<u>44,882</u>	<u>32,831</u>	<u>909</u>	<u>143,921</u>
Balance at January 1, 2021	\$ 28,517	96,275	19,950	243	144,985
Depreciation	22,281	85,176	7,381	359	115,197
Disposals (end of contract and early termination of contract)	(569)	-	-	-	(569)
Reclassification	-	(115,712)	-	-	(115,712)
Translation effect	(4,382)	(10,721)	(3,212)	(59)	(18,374)
Balance at September 30, 2021	<u>\$ 45,847</u>	<u>55,018</u>	<u>24,119</u>	<u>543</u>	<u>125,527</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 September 30, 2022	<u>\$ 74,252</u>	<u>31,445</u>	<u>15,908</u>	<u>342</u>	<u>121,947</u>
Balance at September 30, 2021	<u>\$ 67,517</u>	<u>83,301</u>	<u>17,866</u>	<u>684</u>	<u>169,368</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(h) Intangible assets

The cost, amortization, and impairment losses for the intangible assets of the Group for the nine months ended September 30, 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	-	-	-	7,091	7,091
Disposal	-	-	-	(101)	(101)
Reclassification from property, plant and equipment	-	-	-	3,497	3,497
Translation effect	<u>1,264</u>	<u>34</u>	<u>432</u>	<u>1,366</u>	<u>3,096</u>
Balance at September 30, 2022	<u>\$ 105,160</u>	<u>2,745</u>	<u>35,998</u>	<u>130,337</u>	<u>274,240</u>
Balance at January 1, 2021	\$ 119,155	3,110	40,789	112,334	275,388
Addition	-	-	-	18,008	18,008
Reclassification from property, plant and equipment	-	-	-	2,037	2,037
Translation effect	<u>(16,035)</u>	<u>(419)</u>	<u>(5,489)</u>	<u>(16,471)</u>	<u>(38,414)</u>
Balance at September 30, 2021	<u>\$ 103,120</u>	<u>2,691</u>	<u>35,300</u>	<u>115,908</u>	<u>257,019</u>
Amortization and impairment loss:					
Balance at January 1, 2022	\$ -	1,085	7,113	84,041	92,239
Amortization	-	415	2,718	10,331	13,464
Disposals	-	-	-	(101)	(101)
Translation effect	<u>-</u>	<u>10</u>	<u>69</u>	<u>949</u>	<u>1,028</u>
Balance at September 30, 2022	<u>\$ -</u>	<u>1,510</u>	<u>9,900</u>	<u>95,220</u>	<u>106,630</u>
Balance at January 1, 2021	\$ -	622	4,079	82,590	87,291
Amortization	-	436	2,857	9,358	12,651
Translation effect	<u>-</u>	<u>(116)</u>	<u>(759)</u>	<u>(11,706)</u>	<u>(12,581)</u>
Balance at September 30, 2021	<u>\$ -</u>	<u>942</u>	<u>6,177</u>	<u>80,242</u>	<u>87,361</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 September 30, 2022	<u>\$ 105,160</u>	<u>1,235</u>	<u>26,098</u>	<u>35,117</u>	<u>167,610</u>
Balance at September 30, 2021	<u>\$ 103,120</u>	<u>1,749</u>	<u>29,123</u>	<u>35,666</u>	<u>169,658</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(i) Short-term loans

	September 30, 2022	December 31, 2021	September 30, 2021
Secured loans	\$ 84,010	138,035	84,220
Unsecured loans	3,194,934	2,363,831	1,639,089
Total	<u>\$ 3,278,944</u>	<u>2,501,866</u>	<u>1,723,309</u>
Unused credit line	<u>\$ 2,011,609</u>	<u>1,628,791</u>	<u>2,045,130</u>
Interest rate (%)	<u>0.39~4.21</u>	<u>0.29~4.09</u>	<u>0.29~4.09</u>

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

(j) Long-term loans

	September 30, 2022	December 31, 2021	September 30, 2021
Secured loans	\$ 400,425	2,697,734	2,449,366
Unsecured loans	5,195,076	1,424,077	1,419,713
Less: deferred financing fee	(1,587)	(3,010)	(3,231)
Subtotal	5,593,914	4,118,801	3,865,848
Less: current portion	(1,124,082)	(1,082,462)	(475,567)
Total	<u>\$ 4,469,832</u>	<u>3,036,339</u>	<u>3,390,281</u>
Unused credit line	<u>\$ 3,213,547</u>	<u>3,080,336</u>	<u>3,075,520</u>
Interest rate (%)	<u>1.00~4.40</u>	<u>0.95~4.00</u>	<u>0.96~4.00</u>
Maturity date	<u>2022.11~2027.9</u>	<u>2022.8~2026.3</u>	<u>2022.8~2026.2</u>

(i) Collateral for loans

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

(ii) Loan contract

1) During January 1,2022 to September 30,2022 APT entered into agreements with Bangkok Bank and LH Bank, respectively, for a new credit line of THB 2,421,000 thousand with interest rates ranging from 2.355% to 2.45%, both with maturity dates in September 2027. The main commitment clauses in the contract are as follows:

- a) The debt ratio (liability / equity) is maintained at or below 200% (inclusive)
- b) The debt coverage ratio [(net income before tax + interest expense + depreciation + amortization) / long term loans] must be no less than 125%.

The ratios mentioned above shall be calculated based on the audited annual financial statements of APT. And APT should provide a declaration which states no breach of such commitment upon annual review.

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

- 2) APT entered into agreements with E. Sun Commercial Bank, E. Sun Bank (China) and Mega International Common Bank. For the nine months ended September 30, 2021, APT has obtained a credit line of USD 20,000 thousand and THB 200,000 thousand, bearing an interest rate 0.98%~2.68% and maturing from May 2024 to January 2026. The main commitment clauses in the contract are as follows:
- a) The current ratio (current asset/current liability less current portion) should not be less than 100%.
 - b) The debt ratio (total liabilities/tangible equity) shall not be higher than 180%.
 - c) The interest coverage ratio [(net income before tax + interest expense + depreciation + amortization) / interest expense] shall not be less than 300%.
 - d) The tangible equity (total equity - intangible asset) shall not be less than NTD 4.5~to 5.0 billion.

The ratios mentioned above shall be calculated based on the audited annual financial statements of APT. APT should provide a declaration which states no breach of such commitment upon annual review.

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

(k) Lease liabilities

The amounts of leased liability were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	\$ 37,399	40,965	41,555
Non-current	86,943	84,479	81,907
	<u>\$ 124,342</u>	<u>125,444</u>	<u>123,462</u>

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

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest on lease liabilities	<u>\$ 959</u>	<u>1,034</u>	<u>3,007</u>	<u>4,131</u>
Expenses relating to short-term leases	<u>\$ 1,535</u>	<u>757</u>	<u>4,789</u>	<u>1,715</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 138</u>	<u>141</u>	<u>426</u>	<u>591</u>

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

	For the nine months ended September 30	
	2022	2021
Total cash outflow from operating activities	\$ 8,222	6,437
Total cash outflow from investing activities	<u>34,691</u>	<u>65,790</u>
Total cash outflow for leases	<u>\$ 42,913</u>	<u>72,227</u>

(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.

(l) 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.

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Operating costs	\$ 1,571	1,828	4,784	5,804
Administration expenses	1,174	1,057	3,577	3,356
	<u>\$ 2,745</u>	<u>2,885</u>	<u>8,361</u>	<u>9,160</u>

(ii) Defined contribution plans

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Administration expenses	<u>\$ 253</u>	<u>259</u>	<u>763</u>	<u>738</u>

(iii) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$9,184 thousand, \$6,383 thousand and \$8,283 thousand as of September 30, 2022, December 31, 2021, and September 30, 2021, respectively.

(m) Income taxes

The amounts of income tax for the three months and nine months ended September 30, 2022 and 2021, were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Current tax expense				
Current period	<u>\$ 39,299</u>	<u>1,282</u>	<u>71,870</u>	<u>44,670</u>

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 2021. 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 2021.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(n) Share capital and other equity

Except for the following, there were no significant changes in the Group's share capital and other equity for the nine months ended September 30, 2022 and 2021. Please refer to note 6(p) of the 2021 consolidated financial statements for related information.

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 bonus to employees for the three months ended September 30 and for the nine months ended September 30, 2022 and 2021, was \$0 thousand, and remuneration to directors were \$450 thousand, \$180 thousand, \$1,208 thousand and \$540 thousand, respectively. Should there be difference between the actual distribution amount that was resolved by shareholders' meeting and the estimated amount, it will be regarded as changes in accounting estimates and errors, and it will be adjusted in the Company's profit or loss for the given year.

On May 24, 2022, the shareholders' meeting resolved to pay a bonus to employees of \$0 thousand and remuneration to directors of \$1,080 thousand for the year ended December 31, 2021, which differed from the estimated amount of remuneration to directors of \$360 thousand. The difference was accounted for as a change in accounting estimate, and was recognized as a gain or loss for the year 2022.

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 May 24, 2022 and July 2, 2021, the shareholders' meeting resolved to appropriate the 2021 and 2020 earnings. These earnings were appropriated as follows:

	<u>2021</u>	<u>2020</u>
Dividends distributed to ordinary shareholders		
Cash	\$ <u><u>759,752</u></u>	<u><u>569,814</u></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
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(o) Earnings per share

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Basic EPS (Diluted EPS):				
Net income	\$ <u>57,845</u>	<u>381,032</u>	<u>832,852</u>	<u>826,747</u>
Weighted-average number of common shares outstanding (thousand shares)	<u>189,938</u>	<u>189,938</u>	<u>189,938</u>	<u>189,938</u>
Basic EPS / Diluted EPS (New Taiwan Dollars)	\$ <u>0.30</u>	<u>2.01</u>	<u>4.38</u>	<u>4.35</u>

(p) Revenues from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Primary geographical markets:				
Singapore	\$ 512,086	875,842	2,171,090	2,103,675
Vietnam	297,812	359,487	1,974,555	1,344,144
Thailand	587,049	667,650	1,822,583	1,954,217
Korea	303,184	336,150	1,303,078	1,094,847
Other	<u>1,498,959</u>	<u>1,371,504</u>	<u>4,044,064</u>	<u>3,867,211</u>
	\$ <u>3,199,090</u>	<u>3,610,633</u>	<u>11,315,370</u>	<u>10,364,094</u>
Main product/service line				
Single-layer PCB sales	\$ 101,463	142,551	352,695	463,716
Double-layer PCB sales	602,621	1,188,554	3,618,315	3,111,557
Multi-layer PCB sales	2,493,229	2,260,074	7,337,220	6,746,480
Other	12,065	19,706	33,031	50,475
Less: sales return and allowance	<u>(10,288)</u>	<u>(252)</u>	<u>(25,891)</u>	<u>(8,134)</u>
	\$ <u>3,199,090</u>	<u>3,610,633</u>	<u>11,315,370</u>	<u>10,364,094</u>

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

(ii) Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	\$ 185	-	890
Accounts receivable	4,540,495	4,378,017	3,745,349
Less: loss allowance	(92,424)	(47,187)	(46,859)
Total	<u>\$ 4,448,256</u>	<u>4,330,830</u>	<u>3,699,380</u>

(q) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest income on bank deposits	<u>\$ 348</u>	<u>16</u>	<u>593</u>	<u>307</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Income from cancellation of orders	\$ 122	6,428	15,141	18,161
Others	2,263	2,049	10,191	10,189
	<u>\$ 2,385</u>	<u>8,477</u>	<u>25,332</u>	<u>28,350</u>

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Gains (losses) on disposal of property, plant and equipment	\$ (24,542)	(31)	(24,780)	158
Foreign exchange gains (losses), net	64,923	(61,321)	28,142	(93,352)
Valuation gains (losses) on financial assets or liabilities, net	(28,284)	32,777	46,037	53,263
Gain on reversal (loss) of impairment	21,311	(3,779)	13,642	(12,000)
Gain on lease modifications	-	-	336	27
Others	(108)	(4)	(112)	(52)
	<u>\$ 33,300</u>	<u>(32,358)</u>	<u>63,265</u>	<u>(51,956)</u>

(iv) Finance cost

The details of finance cost were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest expense on loans from banks	\$ 56,788	22,793	126,032	56,930
Interest expense on lease liabilities	959	1,034	3,007	4,131
Less: interest expense capitalized	(10,623)	(15,685)	(26,148)	(38,697)
	<u>\$ 47,124</u>	<u>8,142</u>	<u>102,891</u>	<u>22,364</u>

(r) 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.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. The Group's accounts receivable are obviously concentrated on three main customers, which accounted for 46%, 38% and 42% of the total amount of notes and accounts receivable as of September 30, 2022, December 31, 2021, and September 30, 2021, respectively. As of September 30, 2022, December 31, 2021, and September 30, 2021, the Group's accounts receivable concentrated on three main customers were \$2,056,942 thousand, \$1,664,796 thousand and \$1,550,302 thousand, respectively.

3) Credit risk of accounts receivable

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
September 30, 2022					
Non-derivative financial liabilities					
Short-term loans	\$ 3,278,944	3,297,284	3,297,284	-	-
Long-term loans	5,593,914	5,997,983	1,296,999	1,934,453	2,766,531
Lease liabilities	124,342	131,864	40,529	33,235	58,100
Accounts payable	1,978,015	1,978,015	1,978,015	-	-
Other payables (including payables for equipment)	1,322,196	1,322,196	1,322,196	-	-
Long-term payable	53,750	53,750	-	42,533	11,217
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(246,778)	(246,778)	-	-
Outflow	7,779	254,557	254,557	-	-
	<u>\$ 12,358,940</u>	<u>12,788,871</u>	<u>7,942,802</u>	<u>2,010,221</u>	<u>2,835,848</u>

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
December 31, 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 for 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>
September 30, 2021					
Non-derivative financial liabilities					
Short-term loans	\$ 1,723,309	1,726,615	1,726,615	-	-
Long-term loans	3,865,848	4,067,280	558,079	1,196,075	2,313,126
Lease liabilities	123,462	131,335	44,784	32,540	54,011
Accounts payable	3,545,364	3,545,364	3,545,364	-	-
Other payables (including payables for equipment)	1,556,755	1,556,755	1,556,755	-	-
Long-term payable	174,948	174,948	-	159,398	15,550
	<u>\$ 10,989,686</u>	<u>11,202,297</u>	<u>7,431,597</u>	<u>1,388,013</u>	<u>2,382,687</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>September 30, 2022</u>			<u>December 31, 2021</u>			<u>September 30, 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	\$ 131,623	31.71	4,173,747	143,590	27.59	3,961,867	130,177	27.81	3,619,846
Financial liabilities									
Monetary items									
USD	62,462	31.98	1,997,508	131,078	27.86	3,651,461	137,132	28.06	3,847,284

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

2) Sensitivity analysis

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

A 5% strengthening of the NTD and THB against the USD as at September 30, 2022 and 2021, would have increased (decreased) net profit before tax for the nine months ended September 30, 2022 and 2021, by \$(108,800) thousand and \$11,000 thousand, respectively. The analysis assumes that all other variables remain constant, and is performed on the same basis for 2021.

3) Exchange gains and losses on monetary items

Due to the numerous types of functional currency of the Group, the Group discloses its exchange gains and losses of monetary items aggregately. The Group's exchange gains (losses), including realized and unrealized, were \$64,923 thousand, \$(61,321) thousand, \$28,142 thousand and \$(93,352) thousand for the three months and the nine months ended September 30, 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 \$16,637 thousand and \$10,486 thousand for the nine months ended September 30, 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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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value information

1) Categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss are measured at fair value on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	September 30, 2022				
	Amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Derivative financial assets – current	\$ 23,328	-	23,328	-	23,328
Financial assets measured at amortized cost					
Cash and cash equivalents	653,474	-	-	-	-
Notes receivables	185	-	-	-	-
Accounts receivables	4,448,071	-	-	-	-
Other receivables	81,738	-	-	-	-
Refundable deposits	7,732	-	-	-	-
Other financial assets	19,187	-	-	-	-
Subtotal	5,210,387	-	-	-	-
Total	<u>\$ 5,233,715</u>	<u>-</u>	<u>23,328</u>	<u>-</u>	<u>23,328</u>

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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 at 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 for equipment)	1,632,808	-	-	-	-
Long-term payable	232,619	-	-	-	-
Subtotal	<u>12,148,962</u>	-	-	-	-
Total	<u>\$ 12,153,284</u>	-	<u>4,322</u>	-	<u>4,322</u>
	September 30, 2021				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets – current	\$ 52,880	-	52,880	-	52,880
Financial assets measured at amortized cost					
Cash and cash equivalents	1,010,135	-	-	-	-
Notes receivables	890	-	-	-	-
Accounts receivables	3,698,490	-	-	-	-
Other receivables	178,371	-	-	-	-
Refundable deposits	7,955	-	-	-	-
Other financial assets	8,253	-	-	-	-
Subtotal	<u>4,904,094</u>	-	-	-	-
Total	<u>\$ 4,956,974</u>	-	<u>52,880</u>	-	<u>52,880</u>
Financial liabilities measured at amortized cost					

(Continued)

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

	September 30, 2021				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Short-term loans	\$ 1,723,309	-	-	-	-
Long-term loans	3,865,848	-	-	-	-
Lease liabilities	123,462	-	-	-	-
Accounts payable	3,545,364	-	-	-	-
Other payables (including payables for equipment)	1,556,755	-	-	-	-
Long-term payable	174,948	-	-	-	-
Total	\$ 10,989,686	-	-	-	-

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 equivalents, notes and accounts receivable and payable, other receivables and payables, refundable deposits, other financial assets, short-term loans, 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.

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

(s) 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.

(t) 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.

(u) Non-cash investing and financing activities

For the nine months ended September 30, 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(k) for related information.

Reconciliation of liabilities from financing activities were as follows:

	January 1, 2022	Cash flows	Non-cash changes Acquisition or termination of contracts	Translation effect	September 30, 2022
Long-term loans	\$ 4,118,801	1,444,191	-	30,922	5,593,914
Short-term loans	2,501,866	751,610	-	25,468	3,278,944
Lease liabilities	125,444	(34,691)	31,998	1,591	124,342
Total liabilities from financing activities	<u>\$ 6,746,111</u>	<u>2,161,110</u>	<u>31,998</u>	<u>57,981</u>	<u>8,997,200</u>

	January 1, 2021	Cash flows	Non-cash changes Acquisition or termination of contracts	Translation effect	September 30, 2021
Long-term loans	\$ 2,327,927	1,889,857	-	(351,936)	3,865,848
Short-term loans	1,369,949	580,211	-	(226,851)	1,723,309
Lease liabilities	145,055	(65,790)	62,534	(18,337)	123,462
Total liabilities from financing activities	<u>\$ 3,842,931</u>	<u>2,404,278</u>	<u>62,534</u>	<u>(597,124)</u>	<u>5,712,619</u>

(Continued)

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

(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

- (c) Significant transactions with related parties – Guarantee

For the nine months ended September 30, 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:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 11,519	13,228	34,976	34,163
Post-employment benefits	97	149	295	472
Other long-term benefits	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>
	<u>\$ 11,617</u>	<u>13,378</u>	<u>35,274</u>	<u>34,638</u>

(8) Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other financial assets				
– non-current:				
Restricted bank deposits	Long-term loans and derivative instruments not used for hedging	\$ 19,187	8,206	8,253
Property, plant, and equipment:				
Land	Long-term and short-term loans	367	363	360
Buildings	Long-term and short-term loans	31,308	35,826	37,257
Machinery and equipment	Long-term, short-term loans and electricity guarantee	1,018,993	1,100,397	843,675
Total		<u>\$ 1,069,855</u>	<u>1,144,792</u>	<u>889,545</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 commitments in the financial statements:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Acquisition of property, plant and equipment	\$ 2,093,916	1,165,428	1,736,497
Long-term commitments	51,946	42,990	50,936
Total	<u>\$ 2,145,862</u>	<u>1,208,418</u>	<u>1,787,433</u>

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Letters of credit	\$ <u>96,016</u>	<u>149,333</u>	<u>263,382</u>

(c) Guarantees provided by banks were as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Electricity guarantee	\$ <u>113,253</u>	<u>78,785</u>	<u>78,197</u>

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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

(12) Other:

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

Function Account	For the three months ended September 30					
	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	287,797	71,447	359,244	437,847	79,538	517,385
Health insurance	-	444	444	-	450	450
Pension	1,571	1,427	2,998	1,828	1,316	3,144
Remuneration to directors	-	450	450	-	360	360
Other personnel expense	34,003	11,883	45,886	33,693	58,975	92,668
Depreciation	240,037	28,245	268,282	164,841	24,621	189,462
Amortization	1,914	2,771	4,685	1,578	2,644	4,222

Function Account	For the nine months ended September 30					
	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	1,111,804	233,325	1,345,129	1,264,013	238,792	1,502,805
Health insurance	-	1,341	1,341	-	1,283	1,283
Pension	4,784	4,340	9,124	5,804	4,094	9,898
Remuneration to directors	-	1,208	1,208	-	720	720
Other personnel expense	113,325	64,137	177,462	109,243	88,787	198,030
Depreciation	694,799	83,958	778,757	505,267	73,795	579,062
Amortization	5,290	8,174	13,464	4,603	8,048	12,651

(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 nine months ended September 30, 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	22,551,441 (Note 2)	12,742,710	12,742,710	6,909,773	-	169.52 %	22,551,441 (Note 3)	Y	N	N
2	APT	The Company	3	3,703,013 (Note 4)	1,142,754	1,142,754	-	-	15.20 %	3,703,013 (Note 5)	N	Y	N
3	APT	APS	2	3,703,013 (Note 4)	680,481	680,481	362,633	-	9.05 %	3,703,013 (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 September 30, 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 nine months ended September 30, 2022:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				September 30, 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 %	7,406,026	867,387	863,744 (Note 4)	
The Company	AET	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	9,730	5,879	3,534 (Note 4)	
APT	APS	Thailand	PCB (printed circuit board) manufacturing and sales	277,485	277,485	32	99.99 %	191,415	10,205	2,644 (Note 3)	
APS	APSS	Singapore	PCB sales development	8,195	8,195	402	100.00 %	6,663	1,288	1,686 (Note 4)	

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.

Note 4: It takes into account unrealized and realized gains and losses on intercompany transactions.

(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 September 30, 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	21,839 (RMB5,000)	2	-	-	-	-	(616) (RMB139)	99.58 %	(1,871) (RMB422)	(6,353) (RMB(1,397))	-

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 the Group's 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 period were calculated by using the exchange rate on September 30, 2022 (BS exchange rate RMB:TWD=1:4.5473). The net income (loss) of the investee company and investment gains (losses) recognized by the parent company were calculated by the average exchange rate (IS exchange rate RMB:TWD=1:4.4337).

(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		16,500,000	8.68 %
Cathay Life Insurance fully authorize Cathay Securities Investment Trust (Taiwan Stock nine)		9,539,000	5.02 %

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 September 30			
	2022			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 3,182,454	22,031	(5,395)	3,199,090
Intersegment revenues	20,633	35,890	(56,523)	-
Total revenue	<u>\$ 3,203,087</u>	<u>57,921</u>	<u>(61,918)</u>	<u>3,199,090</u>
Reportable segment profit or loss	<u>\$ 109,347</u>	<u>(7,367)</u>	<u>(4,562)</u>	<u>97,418</u>
	For the three months ended September 30			
	2021			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 3,610,032	-	601	3,610,633
Intersegment revenues	4,986	79,072	(84,058)	-
Total revenue	<u>\$ 3,615,018</u>	<u>79,072</u>	<u>(83,457)</u>	<u>3,610,633</u>
Reportable segment profit or loss	<u>\$ 399,753</u>	<u>(10,961)</u>	<u>(4,817)</u>	<u>383,975</u>

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

	For the nine months ended September 30			
	2022			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 11,294,758	22,031	(1,419)	11,315,370
Intersegment revenues	34,315	200,018	(234,333)	-
Total revenue	<u>\$ 11,329,073</u>	<u>222,049</u>	<u>(235,752)</u>	<u>11,315,370</u>
Reportable segment profit or loss	<u>\$ 945,687</u>	<u>(26,344)</u>	<u>(10,978)</u>	<u>908,365</u>
	For the nine months ended September 30			
	2021			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 10,363,281	-	813	10,364,094
Intersegment revenues	10,117	193,041	(203,158)	-
Total revenue	<u>\$ 10,373,398</u>	<u>193,041</u>	<u>(202,345)</u>	<u>10,364,094</u>
Reportable segment profit or loss	<u>\$ 915,781</u>	<u>(29,152)</u>	<u>(11,597)</u>	<u>875,032</u>

For the three months and nine months ended September 30, 2022 and 2021, the adjustments and eliminations of the intersegment net profit to the reportable segment profit or loss were \$(4,562) thousand, \$(4,817) thousand, \$(10,978) thousand and \$(11,597) thousand, respectively.