

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Apex International Co., Ltd. and its subsidiaries ("the Group") as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, 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 the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 5, 2023

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the Standards on Auditing as of March 31, 2023 and 2022

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, 2022, and March 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2023		December 31, 2022		March 31, 2022			March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Assets													
11xx Current assets:							21xx Current liabilities:						
1100 Cash and cash equivalents (notes 6(a) and 8)	\$ 1,429,750	7	714,266	4	761,081	4	2100 Short-term loans (notes 6(f), (i), 7, 8 and 9)	\$ 2,020,100	10	2,472,991	12	2,785,776	14
1110 Financial assets at fair value through profit or loss							2120 Financial liabilities at fair value through profit or loss— current (notes 6(a), (b) and 8)	8,116	-	12	-	7,077	-
— current (notes 6(a), (b) and 8)	2,374	-	20,755	-	11,870	-	Accounts payable	2,573,028	13	2,083,281	11	3,443,836	17
1150 Notes receivable, net (notes 6(c) and (p))	94	-	156	-	211	-	2170 Other payables (notes 6(n) and (q))	604,285	3	528,457	3	637,767	3
1170 Accounts receivable, net (notes 6(c) and (p))	3,148,260	16	3,952,037	20	4,320,905	21	2200 Payable for machinery and equipment	399,622	2	533,484	3	903,283	4
1200 Other receivables (note 6(d))	110,544	1	121,501	1	256,847	1	2216 Dividend payable (note 6(n))	379,876	2	-	-	-	-
130x Inventories (note 6(e))	3,320,899	16	3,098,039	15	3,964,136	19	2230 Current tax liabilities	61,430	-	61,189	-	28,237	-
1470 Other current assets	58,152	-	58,136	-	39,320	-	2280 Current lease liabilities (notes 6(g) and (k))	46,933	-	45,042	-	40,357	-
Total current assets	<u>8,070,073</u>	<u>40</u>	<u>7,964,890</u>	<u>40</u>	<u>9,354,370</u>	<u>45</u>	2322 Current portion of long-term loans (notes 6(a), (f), (j), 7 and 8)	1,477,025	8	1,400,452	7	1,160,517	6
15xx Non-current assets:							2399 Other current liabilities	44,324	-	60,188	-	54,482	-
1600 Property, plant and equipment (notes 6(f), (g), (h), (i), (j), 8 and 9)	11,625,745	57	11,480,481	57	10,989,396	53	25xx Total current liabilities	<u>7,614,739</u>	<u>38</u>	<u>7,185,096</u>	<u>36</u>	<u>9,061,332</u>	<u>44</u>
1755 Right-of-use asset (notes 6(f), (g) and (k))	157,688	1	149,934	1	120,635	1	2540 Non-Current liabilities:						
1780 Intangible assets (notes 6(f) and (h))	202,951	1	205,841	1	171,686	1	2570 Long-term loans (notes 6(a), (f), (j), 7 and 8)	4,799,160	24	4,575,831	23	3,194,952	16
1840 Deferred tax assets	36,409	-	35,997	-	32,959	-	2570 Deferred tax liabilities	42,395	-	42,229	-	57,993	-
1915 Prepayment for equipment (note 6(f))	114,715	1	158,966	1	100,250	-	2580 Non-current lease liabilities (notes 6(g) and (k))	113,886	1	107,713	1	82,685	-
1920 Refundable deposits	8,313	-	8,312	-	8,102	-	2612 Long-term payable	14,383	-	18,921	-	190,277	1
1980 Other financial assets— non-current (notes 6(a), (b), (j) and 8)	22,930	-	18,557	-	9,718	-	2670 Other non-current liabilities (note 6(l))	65,958	-	61,648	-	63,715	-
Total non-current assets	<u>12,168,751</u>	<u>60</u>	<u>12,058,088</u>	<u>60</u>	<u>11,432,746</u>	<u>55</u>	2xxx Total non-current liabilities	<u>5,035,782</u>	<u>25</u>	<u>4,806,342</u>	<u>24</u>	<u>3,589,622</u>	<u>17</u>
							31xx Total liabilities	<u>12,650,521</u>	<u>63</u>	<u>11,991,438</u>	<u>60</u>	<u>12,650,954</u>	<u>61</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	9
							3200 Capital surplus	2,405,512	12	2,405,512	12	2,405,512	12
							3300 Retained earnings	3,791,345	19	4,265,773	21	4,554,487	22
							3410 Exchange differences on translation of foreign financial statements	(541,056)	(3)	(572,465)	(3)	(759,441)	(4)
							36xx Total equity attributable to owners of parent	<u>7,555,181</u>	<u>37</u>	<u>7,998,200</u>	<u>40</u>	<u>8,099,938</u>	<u>39</u>
							3xxx Non-controlling interests	33,122	-	33,340	-	36,224	-
							3xxx Total equity	<u>7,588,303</u>	<u>37</u>	<u>8,031,540</u>	<u>40</u>	<u>8,136,162</u>	<u>39</u>
1xxx Total assets	<u>\$ 20,238,824</u>	<u>100</u>	<u>20,022,978</u>	<u>100</u>	<u>20,787,116</u>	<u>100</u>	2-3xxx Total liabilities and equity	<u>\$ 20,238,824</u>	<u>100</u>	<u>20,022,978</u>	<u>100</u>	<u>20,787,116</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the Standards on Auditing

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2023 and 2022

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

		For the three months ended March 31			
		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (note 6(p))	\$ 3,293,734	100	4,144,906	100
5000	Operating costs (notes 6(e), (f), (g), (h), (k) and (l))	<u>2,903,474</u>	<u>88</u>	<u>3,289,973</u>	<u>79</u>
5900	Gross profit from operations	<u>390,260</u>	<u>12</u>	<u>854,933</u>	<u>21</u>
6000	Operating expenses (notes 6(c), (f), (g), (h), (k), (l), (n), (q) and 7):				
6188	Selling expenses	242,332	8	236,869	6
6200	Administrative expenses	199,991	6	189,411	5
6300	Research and development expenses	14,472	-	12,117	-
6450	Expected credit loss (reversal of expected credit loss)	<u>(25,830)</u>	<u>(1)</u>	<u>4,571</u>	<u>-</u>
	Total operating expenses	<u>430,965</u>	<u>13</u>	<u>442,968</u>	<u>11</u>
6900	Operating income (loss)	<u>(40,705)</u>	<u>(1)</u>	<u>411,965</u>	<u>10</u>
7000	Non-operating income and expenses (notes 6(b), (f), (k) and (r)):				
7100	Interest income	589	-	16	-
7010	Other income	8,852	-	16,147	-
7020	Other gains and losses	(378)	-	16,856	-
7050	Finance costs	<u>(63,281)</u>	<u>(2)</u>	<u>(24,299)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(54,218)</u>	<u>(2)</u>	<u>8,720</u>	<u>-</u>
7900	Profit (loss) from continuing operations before tax	(94,923)	(3)	420,685	10
7951	Less: Income tax expenses (benefit) (note 6(m))	<u>(21)</u>	<u>-</u>	<u>4,953</u>	<u>-</u>
8200	Profit (loss)	<u>(94,902)</u>	<u>(3)</u>	<u>415,732</u>	<u>10</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	31,541	1	290,749	7
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>31,541</u>	<u>1</u>	<u>290,749</u>	<u>7</u>
8500	Total comprehensive income (loss)	<u>\$ (63,361)</u>	<u>(2)</u>	<u>706,481</u>	<u>17</u>
	Profit attributable to:				
8610	Owners of parent	\$ (94,552)	(3)	413,935	10
8620	Non-controlling interests	<u>(350)</u>	<u>-</u>	<u>1,797</u>	<u>-</u>
		<u>\$ (94,902)</u>	<u>(3)</u>	<u>415,732</u>	<u>10</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of parent	\$ (63,143)	(2)	703,463	17
8720	Non-controlling interests	<u>(218)</u>	<u>-</u>	<u>3,018</u>	<u>-</u>
		<u>\$ (63,361)</u>	<u>(2)</u>	<u>706,481</u>	<u>17</u>
	Earnings (deficits) per share (expressed in New Taiwan dollars) (note 6(o))				
9750	Basic earnings (deficits) per share	<u>\$ (0.50)</u>		<u>2.18</u>	
9850	Diluted earnings (deficits) per share	<u>\$ (0.50)</u>		<u>2.18</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Common stock	Capital surplus	Special reserve	Retained earnings		Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
				Unappropriated retained earnings	Total				
Balance at January 1, 2022	\$ 1,899,380	2,405,512	300,256	3,840,296	4,140,552	(1,048,969)	7,396,475	33,206	7,429,681
Profit	-	-	-	413,935	413,935	-	413,935	1,797	415,732
Other comprehensive income	-	-	-	-	-	289,528	289,528	1,221	290,749
Total comprehensive income (loss)	-	-	-	413,935	413,935	289,528	703,463	3,018	706,481
Balance at March 31, 2022	\$ 1,899,380	2,405,512	300,256	4,254,231	4,554,487	(759,441)	8,099,938	36,224	8,136,162
Balance at January 1, 2023	\$ 1,899,380	2,405,512	1,048,969	3,216,804	4,265,773	(572,465)	7,998,200	33,340	8,031,540
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary share	-	-	-	(379,876)	(379,876)	-	(379,876)	-	(379,876)
Loss	-	-	-	(94,552)	(94,552)	-	(94,552)	(350)	(94,902)
Other comprehensive income	-	-	-	-	-	31,409	31,409	132	31,541
Total comprehensive income (loss)	-	-	-	(94,552)	(94,552)	31,409	(63,143)	(218)	(63,361)
Balance at March 31, 2023	\$ 1,899,380	2,405,512	1,048,969	2,742,376	3,791,345	(541,056)	7,555,181	33,122	7,588,303

See accompanying notes to consolidated financial statements.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2023	2022
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (94,923)	420,685
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	315,916	245,117
Amortization expense	6,535	4,269
Expected credit loss (reversal of expected credit loss)	(25,830)	4,571
Interest expense	63,281	24,299
Interest income	(589)	(16)
Loss (gain) on disposal of property, plant and equipment	(411)	196
Valuation gains on financial assets or liabilities, net	2,486	-
Loss of impairment on non-financial assets	-	3,816
Total adjustments to reconcile profit	<u>361,388</u>	<u>282,252</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	37,991	(2,585)
Notes receivable	62	(211)
Accounts receivable	829,607	5,354
Other receivables	10,957	(55,264)
Inventories	(222,860)	(226,174)
Other current assets	(16)	86,622
Total changes in operating assets	<u>655,741</u>	<u>(192,258)</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(13,860)	2,755
Accounts payable	489,747	(93,588)
Other payables	75,338	67,088
Other current liabilities	(15,864)	(17,449)
Other non-current liabilities	4,310	1,990
Total changes in operating liabilities	<u>539,671</u>	<u>(39,204)</u>
Total changes in operating assets and liabilities	<u>1,195,412</u>	<u>(231,462)</u>
Total adjustments	<u>1,556,800</u>	<u>50,790</u>
Cash inflow generated from operations	1,461,877	471,475
Interest received	589	16
Interest paid	(62,791)	(23,461)
Income taxes paid	(251)	(27)
Net cash flows from operating activities	<u>1,399,424</u>	<u>448,003</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(498,656)	(717,307)
Proceeds from disposal of property, plant and equipment	24,015	-
Increase in refundable deposits	-	(291)
Acquisition of intangible assets	(3)	(1,153)
Increase in other financial assets – non-current	(4,373)	(1,512)
Increase in prepayments for equipment	(24,821)	(43,371)
Net cash flows used in investing activities	<u>(503,838)</u>	<u>(763,634)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(463,639)	191,078
Proceeds from long-term loans	588,392	210,804
Repayments of long-term loans	(312,490)	(105,242)
Payment of lease liabilities	(12,267)	(11,931)
Net cash flows from financing activities	<u>(200,004)</u>	<u>284,709</u>
Effect of exchange rate changes on cash and cash equivalents	<u>19,902</u>	<u>131,629</u>
Net increase in cash and cash equivalents	<u>715,484</u>	<u>100,707</u>
Cash and cash equivalents at beginning of period	<u>714,266</u>	<u>660,374</u>
Cash and cash equivalents at end of period	<u>\$ 1,429,750</u>	<u>761,081</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

(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 May 5, 2023.

(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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date 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 a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users 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”

(Continued)

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

- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- 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, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(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, 2022. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2022.

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

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Apex Circuit (Thailand) Co., Ltd. (APT)	PCB manufacturing and sales	99.58 %	99.58 %	99.58 %	(Note1)
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 %	(Note2)

(Continued)

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

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
APS	Shye Feng (Singapore) Pte. Ltd. (APSS)	PCB sales development	100.00 %	100.00 %	100.00 %	

Note 1: The Company's Board of Directors resolved to participate in APT's capital increase and issuance of new shares on February 28, 2023. APT plans to issue 8,000 thousand shares at THB 62.5 per share, with a par value of THB 10 per share. As the minority shareholding waived its subscription, the Company subscribed the entire new shares issued and made the full payment on March 31, 2023. APT completed the registration of new shares with the local government on April 4, 2023.

Note 2: APT invested CNY 7,000 thousand into APC in 2022.

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

(c) Employee benefits

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

(d) Income taxes

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

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

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

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

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

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

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

(6) Explanation of significant accounts:

Except for the following, the preparation of the consolidated financial statements are in conformity with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash	\$ 1,202	1,521	1,555
Demand deposits	1,408,926	637,507	734,111
Checking deposits	7,440	13,822	16,828
Time deposits	<u>12,182</u>	<u>61,416</u>	<u>8,587</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 1,429,750</u>	<u>714,266</u>	<u>761,081</u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Restricted bank deposit	<u>\$ 22,930</u>	<u>18,577</u>	<u>9,718</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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial assets held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	<u>\$ 2,374</u>	<u>20,755</u>	<u>11,870</u>

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Financial liabilities held-for-trading:			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>8,116</u>	<u>12</u>	<u>7,077</u>

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

The Group uses derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to arising from its operating, financing, and investing activities. As these derivative financial instruments did not qualify for hedge accounting, the Group held the following derivative financial instruments as held-for-trading financial assets (liabilities) as of March 31, 2023, December 31, 2022, and March 31, 2022.

Forward exchange contracts:

March 31, 2023				
	Amount	Currency	Maturity dates	Fair value of assets (liabilities)
	(in thousands)			(liabilities)
Forward exchange sold	USD 3,732	USD to THB	2023.5.2 ~2023.5.3	\$ <u>2,374</u>
Forward exchange purchased	USD 5,000	USD to NTD	2023.8.17 ~2023.8.28	(2,223)
Forward exchange sold	USD 7,500	USD to THB	2023.4.3 ~2023.5.31	(5,893)
Total				\$ <u>(8,116)</u>
December 31, 2022				
	Amount	Currency	Maturity dates	Fair value of assets (liabilities)
	(in thousands)			(liabilities)
Forward exchange sold	USD 14,000	USD to THB	2023.1.3 ~2023.2.27	\$ <u>20,755</u>
Forward exchange sold	USD 1,000	USD to THB	2023.2.17	\$ <u>(12)</u>

(Continued)

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

March 31, 2022					
		Amount	Currency	Maturity dates	Fair value of assets (liabilities)
		<u>(in thousands)</u>			<u></u>
Forward exchange purchased	USD	16,000	USD to NTD	2022.5.17	\$ <u>11,870</u>
Forward exchange purchased	USD	29,992	USD to THB	2022.4.8 ~2022.9.30	\$ <u>(7,077)</u>

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

(c) Notes receivable and accounts receivable

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ 94	156	211
Accounts receivable	3,222,173	4,051,340	4,374,430
Less: allowance for bad debt	<u>(73,913)</u>	<u>(99,303)</u>	<u>(53,525)</u>
	<u>\$ 3,148,354</u>	<u>3,952,193</u>	<u>4,321,116</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:

March 31, 2023			
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 392,594	0.75	2,947
Past due 1~30 days	35,104	3.49	1,226
Past due 31~60 days	3,755	10.01	376
Past due 91~120 days	3,252	47.08	1,531
Past due 121~180 days	5,907	69.41	4,100
Past due over 180 days	<u>8,521</u>	100.00	<u>8,521</u>
	<u>\$ 449,133</u>		<u>18,701</u>

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

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 463,229	0.60	2,785
Past due 1~30 days	66,975	2.83	1,897
Past due 31~60 days	15,360	9.42	1,447
Past due 61~90 days	13,345	17.47	2,332
Past due 91~120 days	4,629	40.22	1,862
Past due 121~180 days	10,359	64.61	6,693
Past due over 180 days	6,299	100.00	6,299
	\$ 580,196		23,315

	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 468,678	0.60	2,812
Past due 1~30 days	86,959	2.40	2,086
Past due 31~60 days	37,848	9.02	3,412
Past due 61~90 days	177	16.38	29
Past due 121~180 days	1,436	63.37	910
Past due over 180 days	18	100.00	18
	\$ 595,116		9,267

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

	March 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 254,898	-	-
Past due 1~30 days	24,535	-	-
Past due 31~60 days	8,725	-	-
Past due 61~90 days	-	-	-
Past due 91~120 days	5,658	-	-
	\$ 293,816		-

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

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 252,817	-	-
Past due 1~30 days	60,721	-	-
Past due 31~60 days	3,139	-	-
Past due 61~90 days	6,903	-	-
	\$ 323,580		-
	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 308,396	-	-
Past due 1~30 days	42,804	-	-
Past due 31~60 days	15,076	0.01	2
	\$ 366,276		2

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

	March 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 2,013	100.00	2,013
	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 2,033	100.00	2,033
	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	\$ 1,894	100.00	1,894

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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:

	March 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,617,492	-	79
Past due 1~30 days	163,870	0.02	40
Past due 31~60 days	8,952	0.85	76
Past due 61~90 days	3,233	-	-
Past due 91~120 days	147	18.37	27
Past due 121~180 days	5,057	-	-
Past due over 180 days	175	100.00	175
	\$ 1,798,926		397

The accounts receivable above did not contain all the amounts that the Group has for a certain client. As the uncertainty of receiving such accounts receivable, the Group has fully recognized loss allowance of the total amount. Therefore, it is not included into expected credit loss calculation, and the total amount is \$38,051 thousand.

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,512,263	0.01	90
Past due 1~30 days	216,696	0.01	29
Past due 31~60 days	9,473	-	-
Past due 61~90 days	23,918	-	-
Past due over 180 days	175	100.00	175
	\$ 1,762,525		294

The accounts receivable above did not contain all the amounts that the Group has for a certain client. As the uncertainty of receiving such accounts receivable, the Group has fully recognized loss allowance of the total amount. Therefore, it is not included into expected credit loss calculation, and the total amount is \$38,411 thousand.

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

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

The accounts receivable above did not contain all the amounts that the Group has for a certain client. As the uncertainty of receiving such accounts receivable, the Group has fully recognized loss allowance of the total amount. Therefore, it is not included into expected credit loss calculation, and the total amount is \$35,797 thousand.

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

	March 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 470,441	0.74	3,484
Past due 1~30 days	152,500	5.52	8,415
Past due 31~60 days	10,949	8.01	877
Past due 91~120 days	5,477	18.51	1,014
Past due over 180 days	961	100.00	961
	\$ 640,328		14,751

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

	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,024,361	0.74	7,552
Past due 1~30 days	123,526	5.49	6,779
Past due 31~60 days	82,242	7.96	6,546
Past due 61~90 days	102,196	10.65	10,887
Past due 91~120 days	7,561	18.33	1,386
Past due 121~180 days	4,254	35.00	1,489
Past due over 180 days	611	100.00	611
	<u>\$ 1,344,751</u>		<u>35,250</u>
	March 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 516,981	0.11	554
Past due 1~30 days	159,545	0.54	858
Past due 31~60 days	15,596	1.99	310
Past due 61~90 days	51,998	4.14	2,151
Past due 91~120 days	11,515	12.77	1,470
Past due 121~180 days	218	25.69	56
Past due over 180 days	824	100.00	824
	<u>\$ 756,677</u>		<u>6,223</u>

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

	For the three months ended March 31	
	2023	2022
Balance at the beginning	\$ 99,303	47,187
Loss (gain on reversal) of impairment	(25,830)	4,571
Foreign exchange losses	440	1,767
Balance at the ending	<u>\$ 73,913</u>	<u>53,525</u>

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

(d) Other receivables

	March 31, 2023	December 31, 2022	March 31, 2022
Other receivables	<u>\$ 110,544</u>	<u>121,501</u>	<u>256,847</u>

The Group did not have any past due other receivables as of March 31, 2023, December 31, 2022, and March 31, 2022.

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

(e) Inventories

	March 31, 2023		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 1,193,574	(120,248)	1,073,326
Work in process	477,537	(15,939)	461,598
Finished goods	1,108,487	(180,858)	927,629
Supplies and spare parts	810,238	(67,252)	742,986
Goods in transit	106,309	-	106,309
Merchandise inventory	<u>9,051</u>	<u>-</u>	<u>9,051</u>
Total	<u>\$ 3,705,196</u>	<u>(384,297)</u>	<u>3,320,899</u>

	December 31, 2022		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 1,172,081	(115,254)	1,056,827
Work in process	384,176	(10,672)	373,504
Finished goods	1,029,676	(169,140)	860,536
Supplies and spare parts	781,299	(65,944)	715,355
Goods in transit	84,432	-	84,432
Merchandise inventory	<u>7,385</u>	<u>-</u>	<u>7,385</u>
Total	<u>\$ 3,459,049</u>	<u>(361,010)</u>	<u>3,098,039</u>

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

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

For the three months ended March 31, 2023 and 2022, in addition to the costs of inventories recognized when inventories were sold, the following loss and revenue were included in the Group's operating costs:

	For the three months ended March 31	
	2023	2022
Allowance for inventory valuation and obsolescence losses	\$ 21,907	28,042
Revenue from sale of scrap	(76,582)	(123,622)
Loss on inventory write-off	-	1,039
Unallocated manufacturing expense	139,366	107,424
	\$ 84,691	12,883

As of March 31, 2023, December 31, 2022, and March 31, 2022, 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 three months ended March 31, 2023 and 2022, 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, 2023	\$ 712,063	13,375	3,883,347	11,873,068	23,016	702,373	24,455	963,742	18,195,439
Additions	-	-	26,984	125,131	-	9,729	-	198,412	360,256
Disposals	-	-	-	(52,686)	-	(1,832)	-	-	(54,518)
Reclassification (notes 1, 2 and 3)	-	-	84,839	22,463	481	13,280	-	(53,624)	67,439
Translation effect	2,803	52	15,075	46,559	90	2,716	91	3,519	70,905
Balance at March 31, 2023	\$ 714,866	13,427	4,010,245	12,014,535	23,587	726,266	24,546	1,112,049	18,639,521

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

	<u>Land</u>	<u>Land improvement</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvement</u>	<u>Unfinished construction and equipment undergoing acceptance testing</u>	<u>Total</u>
Balance at January 1, 2022	\$ 664,731	7,442	2,999,906	9,034,187	21,212	547,117	22,834	2,271,303	15,568,732
Additions	-	861	53,738	30,154	-	13,155	141	417,232	515,281
Disposals	-	-	(225)	(1,000)	-	(1,053)	-	-	(2,278)
Reclassification (notes 1 and 2)	-	-	232,785	614,536	-	66,381	-	(724,163)	189,539
Translation effect	23,946	279	112,121	334,559	765	20,746	761	77,479	570,656
Balance at March 31, 2022	<u>\$ 688,677</u>	<u>8,582</u>	<u>3,398,325</u>	<u>10,012,436</u>	<u>21,977</u>	<u>646,346</u>	<u>23,736</u>	<u>2,041,851</u>	<u>16,841,930</u>
Accumulated depreciation and impairment losses:									
Balance at January 1, 2023	\$ -	6,839	1,238,901	5,021,452	19,610	412,180	15,976	-	6,714,958
Depreciation	-	480	51,456	229,184	365	21,165	700	-	303,350
Disposals	-	-	-	(29,359)	-	(1,555)	-	-	(30,914)
Reclassification (notes 1, 2 and 3)	-	-	-	-	481	-	-	-	481
Translation effect	-	26	4,779	19,386	75	1,579	56	-	25,901
Balance at March 31, 2023	<u>\$ -</u>	<u>7,345</u>	<u>1,295,136</u>	<u>5,240,663</u>	<u>20,531</u>	<u>433,369</u>	<u>16,732</u>	<u>-</u>	<u>7,013,776</u>
Balance at January 1, 2022	\$ -	4,970	976,535	4,093,522	16,976	315,032	12,259	-	5,419,294
Depreciation	-	239	44,426	169,371	353	17,982	711	-	233,082
Impairment loss	-	-	-	3,816	-	-	-	-	3,816
Disposals	-	-	(122)	(1,000)	-	(960)	-	-	(2,082)
Translation effect	-	182	35,807	149,902	617	11,528	388	-	198,424
Balance at March 31, 2022	<u>\$ -</u>	<u>5,391</u>	<u>1,056,646</u>	<u>4,415,611</u>	<u>17,946</u>	<u>343,582</u>	<u>13,358</u>	<u>-</u>	<u>5,852,534</u>
Carrying amount:									
Balance at January 1, 2023	<u>\$ 712,063</u>	<u>6,536</u>	<u>2,644,446</u>	<u>6,851,616</u>	<u>3,406</u>	<u>290,193</u>	<u>8,479</u>	<u>963,742</u>	<u>11,480,481</u>
Balance at March 31, 2023	<u>\$ 714,866</u>	<u>6,082</u>	<u>2,715,109</u>	<u>6,773,872</u>	<u>3,056</u>	<u>292,897</u>	<u>7,814</u>	<u>1,112,049</u>	<u>11,625,745</u>
Balance at March 31, 2022	<u>\$ 688,677</u>	<u>3,191</u>	<u>2,341,679</u>	<u>5,596,825</u>	<u>4,031</u>	<u>302,764</u>	<u>10,378</u>	<u>2,041,851</u>	<u>10,989,396</u>

Note 1: The cost of \$69,783 thousand and \$189,898 thousand, respectively, were reclassified from prepayment for equipment for the three months ended March 31, 2023 and 2022.

2. The cost of \$2,825 thousand and \$359 thousand were reclassified from equipment undergoing acceptance testing of property, plant and equipment to intangible assets for the three months ended March 31, 2023 and 2022.

3. The cost of \$481 thousand and accumulated depreciation of \$481 thousand were reclassified from right-of-use asset for the three months ended March 31, 2023.

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

	For the three months ended March 31	
	<u>2023</u>	<u>2022</u>
Loss of impairment	<u>\$ -</u>	<u>3,816</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(r) for the amount of interest expenses capitalized.

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

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(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, 2023	\$ 170,527	83,290	58,538	1,324	313,679
Additions	-	17,040	2,758	-	19,798
Reclassification to property, plant and equipment	-	-	(481)	-	(481)
Translation effect	<u>585</u>	<u>295</u>	<u>226</u>	<u>5</u>	<u>1,111</u>
Balance at March 31, 2023	<u>\$ 171,112</u>	<u>100,625</u>	<u>61,041</u>	<u>1,329</u>	<u>334,107</u>
Balance at January 1, 2022	\$ 124,896	67,759	43,281	1,236	237,172
Additions	1,796	1,738	1,766	-	5,300
Translation effect	<u>4,022</u>	<u>2,466</u>	<u>1,584</u>	<u>45</u>	<u>8,117</u>
Balance at March 31, 2022	<u>\$ 130,714</u>	<u>71,963</u>	<u>46,631</u>	<u>1,281</u>	<u>250,589</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2023	\$ 74,461	51,080	37,151	1,053	163,745
Depreciation	6,138	3,758	2,578	92	12,566
Reclassification to property, plant and equipment	-	-	(481)	-	(481)
Translation effect	<u>248</u>	<u>194</u>	<u>143</u>	<u>4</u>	<u>589</u>
Balance at March 31, 2023	<u>\$ 80,847</u>	<u>55,032</u>	<u>39,391</u>	<u>1,149</u>	<u>176,419</u>
Balance at January 1, 2022	\$ 52,408	34,476	26,428	641	113,953
Depreciation	6,780	3,235	1,933	87	12,035
Translation effect	<u>1,673</u>	<u>1,288</u>	<u>980</u>	<u>25</u>	<u>3,966</u>
Balance at March 31, 2022	<u>\$ 60,861</u>	<u>38,999</u>	<u>29,341</u>	<u>753</u>	<u>129,954</u>
Carrying amount:					
Balance at January 1, 2023	<u>\$ 96,066</u>	<u>32,210</u>	<u>21,387</u>	<u>271</u>	<u>149,934</u>
Balance at March 31, 2023	<u>\$ 90,265</u>	<u>45,593</u>	<u>21,650</u>	<u>180</u>	<u>157,688</u>
Balance at March 31, 2022	<u>\$ 69,853</u>	<u>32,964</u>	<u>17,290</u>	<u>528</u>	<u>120,635</u>

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

(h) Intangible assets

The cost, amortization, and impairment losses for the intangible assets of the Group for the three months ended March 31, 2023 and 2022, 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, 2023	\$ 111,294	2,906	38,098	171,736	324,034
Addition	-	-	-	3	3
Reclassification from property, plant and equipment	-	-	-	2,825	2,825
Translation effect	<u>438</u>	<u>11</u>	<u>150</u>	<u>669</u>	<u>1,268</u>
Balance at March 31, 2023	<u>\$ 111,732</u>	<u>2,917</u>	<u>38,248</u>	<u>175,233</u>	<u>328,130</u>
Balance at January 1, 2022	\$ 103,896	2,711	35,566	118,484	260,657
Addition	-	-	-	1,153	1,153
Reclassification from property, plant and equipment	-	-	-	359	359
Translation effect	<u>3,743</u>	<u>99</u>	<u>1,282</u>	<u>4,263</u>	<u>9,387</u>
Balance at March 31, 2022	<u>\$ 107,639</u>	<u>2,810</u>	<u>36,848</u>	<u>124,259</u>	<u>271,556</u>
Amortization and impairment loss:					
Balance at January 1, 2023	\$ -	1,743	11,429	105,021	118,193
Amortization	-	146	958	5,431	6,535
Translation effect	<u>-</u>	<u>7</u>	<u>44</u>	<u>400</u>	<u>451</u>
Balance at March 31, 2023	<u>\$ -</u>	<u>1,896</u>	<u>12,431</u>	<u>110,852</u>	<u>125,179</u>
Balance at January 1, 2022	\$ -	1,085	7,113	84,041	92,239
Amortization	-	139	908	3,222	4,269
Translation effect	<u>-</u>	<u>41</u>	<u>270</u>	<u>3,051</u>	<u>3,362</u>
Balance at March 31, 2022	<u>\$ -</u>	<u>1,265</u>	<u>8,291</u>	<u>90,314</u>	<u>99,870</u>
Carrying amount:					
Balance at January 1, 2023	<u>\$ 111,294</u>	<u>1,163</u>	<u>26,669</u>	<u>66,715</u>	<u>205,841</u>
Balance at March 31, 2023	<u>\$ 111,732</u>	<u>1,021</u>	<u>25,817</u>	<u>64,381</u>	<u>202,951</u>
Balance at March 31, 2022	<u>\$ 107,639</u>	<u>1,545</u>	<u>28,557</u>	<u>33,945</u>	<u>171,686</u>

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

(i) Short-term loans

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Secured loans	\$ 53,556	91,720	114,456
Unsecured loans	1,966,544	2,381,271	2,671,320
Total	<u>\$ 2,020,100</u>	<u>2,472,991</u>	<u>2,785,776</u>
Unused credit line	<u>\$ 3,260,862</u>	<u>3,196,279</u>	<u>2,471,222</u>
Interest rate (%)	<u>1.45~5.68</u>	<u>0.39~5.81</u>	<u>0.39~2.95</u>

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

(j) Long-term loans

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Secured loans	\$ 614,368	568,775	2,694,092
Unsecured loans	5,667,781	5,413,918	1,663,941
Less: deferred financing fee	(5,964)	(6,410)	(2,564)
Subtotal	6,276,185	5,976,283	4,355,469
Less: current portion	(1,477,025)	(1,400,452)	(1,160,517)
Total	<u>\$ 4,799,160</u>	<u>4,575,831</u>	<u>3,194,952</u>
Unused credit line	<u>\$ 8,478,273</u>	<u>6,987,756</u>	<u>2,783,684</u>
Interest rate (%)	<u>2.10~5.64</u>	<u>1.00~5.63</u>	<u>1.00~4.00</u>
Maturity date	<u>2023.4~2027.12</u>	<u>2023.4~2027.12</u>	<u>2022.8~2026.3</u>

(i) Collateral for loans

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

(ii) Loan contract

APT, a subsidiary of the Company, signed credit contracts with KASIKORN BANK for the three months ended March 31, 2023, with the following debt covenants:

- 1) The debt ratio (total liability/tangible net asset) cannot exceed 200%.
- 2) The debt coverage ratio [(net income before tax + interest expense + depreciation expense + amortization expense)/ long-term loan] must exceed 120%.

The drawdown of loans for the three months ended March 31, 2023 and 2022 were \$588,392 thousand and \$210,814 thousand, respectively, with the interest rates ranging from 3.23% to 3.60% and 1.26% to 4.00%. The maturity dates are May 2024 to December 2027 and from March 2023 to March 2026, respectively. The amounts of repayment were \$312,490 thousand and \$105,242 thousand, respectively.

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

(k) Lease liabilities

The amounts of leased liability were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Current	\$ 46,933	45,042	40,357
Non-current	113,886	107,713	82,685
	<u>\$ 160,819</u>	<u>152,755</u>	<u>123,042</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31	
	2023	2022
Interest on lease liabilities	\$ <u>1,209</u>	<u>997</u>
Expenses relating to short-term leases	\$ <u>1,573</u>	<u>1,780</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>154</u>	<u>149</u>

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

	For the three months ended March 31	
	2023	2022
Total cash outflow from operating activities	\$ 2,936	2,926
Total cash outflow from financing activities	12,267	11,931
Total cash outflow for leases	<u>\$ 15,203</u>	<u>14,857</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.

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

(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, 2022 and 2021.

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

	For the three months ended	
	March 31	
	<u>2023</u>	<u>2022</u>
Operating costs	\$ 1,695	1,598
Administration expenses	<u>1,310</u>	<u>1,195</u>
	<u><u>\$ 3,005</u></u>	<u><u>2,793</u></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	
	March 31	
	<u>2023</u>	<u>2022</u>
Administration expenses	<u>\$ 249</u>	<u>259</u>

(iii) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$7,309 thousand, \$6,216 thousand and \$7,221 thousand as of March 31, 2023, December 31, 2022, and March 31, 2022, respectively.

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

(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	
	March 31	
	2023	2022
Current tax expense (benefit)		
Current period	\$ (21)	4,953

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.

(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 three months ended March 31, 2023 and 2022. Please refer to note 6(n) of the 2022 consolidated financial statements for related information.

According to the Company's 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 reserve a appropriate amount. The Company's estimated bonus to employees, was \$0 thousand, and remuneration to directors were \$270 thousand, respectively, in three months ended March, 2022. Should there be difference between the actual distribution amount and the estimated amount, it will be regarded as changes in accounting estimates, and it will be listed in the Company's profit or loss for the given year.

According to the amendment of the Company's Articles of Association, which was approved by the shareholders' meeting held on May 24, 2022, if there are profits in the final accounts of given years ("Accumulated Losses"), and then set aside a special surplus reserve ("Special Surplus Reserve") as required by the competent securities authority under the Applicable Public Company Rules. If the remaining undistributed earnings at the beginning of the period are cumulative distributable earnings, the Board of Directors shall prepare a resolution for the distribution of earnings in accordance with the dividend policy. If all or a part of the distribution will be made in cash, it shall be approved by a majority vote cast at a meeting of the Board with two-third (2/3) or more of the Directors present at the Board meeting; and in addition thereto a report of such distribution shall be submitted to the annual general meeting.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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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. The related information is available on the Market Observation Post System website.

On March 29, 2023 and May 24, 2022, the Board of Directors and the shareholders' meeting resolved to appropriate the 2022 and 2021 earnings, respectively. These earnings were appropriated as follows:

	<u>2022</u>	<u>2021</u>
Dividends distributed to ordinary shareholders		
Cash	\$ <u>379,876</u>	<u>759,752</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.

(o) Earnings (deficits) per share

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

	For the three months ended	
	March 31	
	<u>2023</u>	<u>2022</u>
Basic earnings (deficits) per share (Diluted earnings (deficits) per share):		
Net income (loss)	\$ <u>(94,552)</u>	<u>413,935</u>
Weighted-average number of common shares outstanding (thousand shares)	<u>189,938</u>	<u>189,938</u>
Basic earnings (deficits) per share / Diluted earnings (deficits) per share (New Taiwan Dollars)	\$ <u>(0.50)</u>	<u>2.18</u>

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

(p) Revenues from contracts with customers

(i) Disaggregation of revenue

	For the three months ended	
	March 31	
	2023	2022
Primary geographical markets:		
Singapore	\$ 695,168	906,052
Vietnam	597,370	1,052,934
Thailand	618,578	609,280
Korea	381,208	434,641
Other	<u>1,001,410</u>	<u>1,141,999</u>
	<u>\$ 3,293,734</u>	<u>4,144,906</u>
Main product/service line		
Single-layer PCB sales	\$ 121,220	143,156
Double-layer PCB sales	1,131,768	1,719,612
Multi-layer PCB sales	2,045,366	2,280,962
Other	8,781	10,005
Less: sales return and allowance	<u>(13,401)</u>	<u>(8,829)</u>
	<u>\$ 3,293,734</u>	<u>4,144,906</u>

(ii) Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ 94	156	211
Accounts receivable	3,222,173	4,051,340	4,374,430
Less: allowance for bad debts	<u>(73,913)</u>	<u>(99,303)</u>	<u>(53,525)</u>
Total	<u>\$ 3,148,354</u>	<u>3,952,193</u>	<u>4,321,116</u>

(q) Employee compensation and directors' remuneration

According to the amendment of the Company's Articles of Association articles of association which was approved by the shareholders' meeting held on May 24, 2022, where there are profits in a given year, after reserving the amount for covering the accumulated losses, no more than 2% of the profit shall be distributed as employees' compensation and no more than 2% of the profit shall be distributed as Directors' compensation. Employees' compensation may be distributed in the form of shares of the Company or in cash, and may be distributed to the qualified employees of the Company's subsidiaries.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The Company estimated the remuneration to employees of \$0 thousand, and the remuneration to directors of \$360 thousand for the three months ended March 31, 2023. If there are difference between the actual distribution and estimated distribution, it will change in accounting estimat, and are recognized as gain or loss next year.

On February 28, 2023, Board of Directors meeting resolved to distribute remuneration to employee of \$0 thousand, as well as remuneration to directors and supervisors of \$1,440 thousand, respectively, for the year ended 2022, which were the same as the Company's estimation in the 2022. The related information is available on the Market Observation Post System website.

(r) Non-operating income and expenses

(i) Interest income

The details of interest income of the Group were as follows:

	For the three months ended March 31	
	2023	2022
Interest income on bank deposits	\$ 589	16

(ii) Other income

The details of other income of the Group were as follows:

	For the three months ended March 31	
	2023	2022
Income from cancellation of orders	\$ 1,537	11,142
Others	7,315	5,005
	\$ 8,852	16,147

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(iii) Other gains and losses

The details of other gains and losses of the Group were as follows:

	For the three months ended	
	March 31	
	2023	2022
Losses (gains) on disposal of property, plant and equipment	\$ 411	(196)
Net foreign exchange gains	1,704	17,460
Valuation gains (losses) on financial assets or liabilities, net	(2,486)	3,410
Loss of impairment	-	(3,816)
Others	(7)	(2)
	\$ (378)	16,856

(iv) Finance cost

The details of finance cost of the Group were as follows:

	For the three months ended	
	March 31	
	2023	2022
Interest expense on loans from banks	\$ 73,519	31,038
Interest expense on lease liabilities	1,209	997
Less: interest expense capitalized	(11,447)	(7,736)
	\$ 63,281	24,299

(s) Financial instruments

Except for the following, there were no significant changes in the credit risk and interest rate risk the Group was exposed to. Please refer to note 6(s) of the 2022 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
Notes to the Consolidated Financial Statements

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 35%, 44% and 36% of the total amount of notes and accounts receivable as of March 31, 2023, December 31, 2022, and March 31, 2022, respectively. As of March 31, 2023, December 31, 2022, and March 31, 2022, the Group's accounts receivable concentrated on three main customers were \$1,090,576 thousand, \$1,739,782 thousand and \$1,550,831 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 allowance for bad debts are measured by the expected losses of 12 months during the period.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
March 31, 2023					
Non-derivative financial liabilities					
Short-term loans	\$ 2,020,100	2,028,134	2,028,134	-	-
Long-term loans	6,276,185	6,768,078	1,816,148	2,380,093	2,571,837
Lease liabilities	160,819	170,983	51,075	41,926	77,982
Accounts payable	2,573,028	2,573,028	2,573,028	-	-
Dividend payable	379,876	379,876	379,876	-	-
Other payables (including payables for equipment)	1,003,907	1,003,907	1,003,907	-	-
Long-term payable	14,383	14,383	-	4,931	9,452
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(416)	(416)	-	-
Outflow	8,116	8,532	8,532	-	-
	<u>\$ 12,436,414</u>	<u>12,946,505</u>	<u>7,860,284</u>	<u>2,426,950</u>	<u>2,659,271</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, 2022					
Non-derivative financial liabilities					
Short-term loans	\$ 2,472,991	2,482,497	2,482,497	-	-
Long-term loans	5,976,283	6,404,925	1,597,734	2,138,907	2,668,284
Lease liabilities	152,755	161,985	48,924	40,453	72,608
Accounts payable	2,083,281	2,083,281	2,083,281	-	-
Other payables (including payables for equipment)	1,061,941	1,061,941	1,061,941	-	-
Long-term payable	18,921	18,921	-	8,278	10,643
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(30,725)	(30,725)	-	-
Outflow	12	30,737	30,737	-	-
	<u>\$ 11,766,184</u>	<u>12,213,562</u>	<u>7,274,389</u>	<u>2,187,638</u>	<u>2,751,535</u>
March 31, 2022					
Non-derivative financial liabilities					
Short-term loans	\$ 2,785,776	2,794,058	2,794,058	-	-
Long-term loans	4,355,469	4,567,178	1,254,077	937,426	2,375,675
Lease liabilities	123,042	130,704	43,533	33,844	53,327
Accounts payable	3,443,836	3,443,836	3,443,836	-	-
Other payables (including payables for equipment)	1,541,050	1,541,050	1,541,050	-	-
Long-term payable	190,277	190,277	-	176,421	13,856
Derivative financial liabilities					
Other forward contract—					
Inflow	-	(856,217)	(856,217)	-	-
Outflow	7,077	863,294	863,294	-	-
	<u>\$ 12,446,527</u>	<u>12,674,180</u>	<u>9,083,631</u>	<u>1,147,691</u>	<u>2,442,858</u>

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

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

1) Currency risk exposure

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

	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount
Financial assets									
Monetary items									
USD	\$ 106,867	30.29	3,237,363	125,960	30.58	3,851,455	149,933	28.50	4,273,093
Financial liabilities									
Monetary items									
USD	63,542	30.59	1,943,546	54,558	30.89	1,685,207	102,542	28.77	2,950,234

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, account and other receivables, loans and borrowings, and account and other payables that are denominated in foreign currency.

A 5% strengthening of the NTD and THB against the USD as at March 31, 2023 and 2022, would have decreased net profit before tax for the three months ended March 31, 2023 and 2022, by \$65,000 thousand and \$66,000 thousand, respectively. The analysis assumes that all other variables remain constant, and is performed on the same basis for 2022.

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 \$1,704 thousand and \$17,460 thousand for the three monthsthe three months ended March 31, 2023 and 2022, 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.

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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If the interest rate had increased / decreased by 0.25%, the Group's net income would have decreased / increased by \$5,185 thousand and \$4,465 thousand for the three months ended March 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This was mainly due to the Group's interest rate of borrowing at variable rates.

(v) Fair value information

1) Categories and fair value of financial instruments

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

	March 31, 2023				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets – current	\$ 2,374	-	2,374	-	2,374
Financial assets measured at amortized cost					
Cash and cash equivalents	1,429,750	-	-	-	-
Notes receivables	94	-	-	-	-
Accounts receivables	3,148,260	-	-	-	-
Other receivables	110,544	-	-	-	-
Refundable deposits	8,313	-	-	-	-
Other financial assets	22,930	-	-	-	-
Subtotal	<u>4,719,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,722,265</u>	<u>-</u>	<u>2,374</u>	<u>-</u>	<u>2,374</u>

(Continued)

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

	March 31, 2022				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities – current	\$ 7,077	-	7,077	-	7,077
Financial liabilities measured at amortized cost					
Short-term loans	2,785,776	-	-	-	-
Long-term loans	4,355,469	-	-	-	-
Lease liabilities	123,042	-	-	-	-
Accounts payable	3,443,836	-	-	-	-
Other payables (including payables for equipment)	1,541,050	-	-	-	-
Long-term payable	190,277	-	-	-	-
Subtotal	<u>12,439,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,446,527</u>	<u>-</u>	<u>7,077</u>	<u>-</u>	<u>7,077</u>

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 is a reasonable approximation of fair value. This method applies 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.

(Continued)

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

b) Derivative financial instruments

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

(t) Financial risk management

There were no significant changes in the objectives and policies concerning the financial risks the Group was exposed to. Please refer to note 6(t) of the 2022 consolidated financial statements for related information.

(u) Capital management

The purpose, policy, procedures, and summarized quantitative data of the Group's capital management were the same as those disclosed in the 2022 consolidated financial statements. Please refer to note 6(u) of the 2022 consolidated financial statements for related information.

(v) Non-cash investing and financing activities

For the three months ended March 31, 2023 and 2022, 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(g) for related information.

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

Reconciliation of liabilities from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes Acquisition or termination of contracts	Translation effect	March 31, 2023
Long-term loans	\$ 5,976,283	275,902	-	24,000	6,276,185
Short-term loans	2,472,991	(463,639)	-	10,748	2,020,100
Lease liabilities	152,755	(12,267)	19,798	533	160,819
Total liabilities from financing activities	<u>\$ 8,602,029</u>	<u>(200,004)</u>	<u>19,798</u>	<u>35,281</u>	<u>8,457,104</u>

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

(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 three months ended March 31, 2023 and 2022, chairman of the Company provided credit guarantees to the Group for short-term and long-term loans.

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

(d) Management personnel compensation

Key management personnel compensation comprised:

	For the three months ended	
	March 31	
	2023	2022
Short-term employee benefits	\$ 13,711	11,455
Post-employment benefits	141	108
Other long-term benefits	2	1
	\$ 13,854	11,564

(8) Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other financial assets				
— non-current:				
Restricted bank deposits	Long-term loans and derivative instruments not used for hedging	\$ 22,930	18,557	9,718
Property, plant, and equipment:				
Land	Long-term and short-term loans	390	389	376
Buildings	Long-term and short-term loans	33,889	31,369	35,445
Machinery and equipment	Long-term, short-term loans and electricity guarantee	1,412,869	1,514,838	1,108,116
Total		\$ 1,470,078	1,565,153	1,153,655

(9) Significant commitments and contingencies:

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Acquisition of property, plant and equipment	\$ 436,996	427,560	772,083
Other long-term commitments	30,212	43,658	45,397
Total	\$ 467,208	471,218	817,480

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Letters of credit	<u>\$ 89,109</u>	<u>34,940</u>	<u>100,740</u>

(c) Guarantees provided by banks were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Electricity guarantee	<u>\$ 120,330</u>	<u>119,858</u>	<u>81,623</u>

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

A summary of personnel benefit costs, depreciation, depletion and amortization is as follows:

Function Account	For the three months ended March 31					
	2023			2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel benefit costs						
Salaries	384,903	79,190	464,093	390,866	76,461	467,327
Health insurance	-	630	630	-	461	461
Pension	1,695	1,559	3,254	1,598	1,454	3,052
Remuneration to directors	-	360	360	-	270	270
Other personnel expense	39,980	21,245	61,225	41,315	31,358	72,673
Depreciation	285,547	30,369	315,916	217,480	27,637	245,117
Amortization	1,941	4,594	6,535	1,611	2,658	4,269

(a) 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 three months ended March 31, 2023:

- (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	22,665,543 (Note 2)	14,248,347	14,248,347	6,260,111	-	188.59 %	22,665,543 (Note 3)	Y	N	N
3	APT	APS	4	3,925,305 (Note 4)	723,006	723,006	342,784	-	9.57 %	3,925,305 (Note 5)	N	N	N

Note 1: Relationships with Guarantors and Obligees

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

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

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

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

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

- (iii) Securities held as of March 31, 2023 (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 NTD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock: None.
- (ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b).
- (x) Business relationships and significant intercompany transactions: There were no significant transactions.

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

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2023:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2023			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				March 31, 2023	December 31, 2022	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 %	7,850,609	(83,505)	(83,154) (Note 4)	
The Company	AET	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	8,316	(1,797)	(793) (Note 4)	
APT	APS	Thailand	PCB (printed circuit board) manufacturing and sales	277,485	277,485	32	99.99 %	222,476	3,316	3,316 (Note 3)	
APS	APSS	Singapore	PCB sales development	8,195	8,195	402	100.00 %	15,430	6,153	4,786 (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, 2023 (Note 4)	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2023 (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	39,848 (RMB9,000)	2	-	-	-	-	(430) (RMB(97))	99.58 %	2,214 (RMB499)	14,361 (RMB3,186)	-

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 March 31, 2023 (BS exchange rate RMB:TWD=1:4.5074). 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=1:4.4375).

(ii) Limitation on investment in China: None.

(iii) Significant transactions in China: None.

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

Unit: share		
Shareholder's Name	Shareholding	Percentage
Lu Yan Xian	11,100,000	5.84 %
Cathay Life Insurance fully authorize Cathay Securities Investment Trust (Taiwan Stock nine)	9,514,000	5.00 %

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

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

(14) Segment information:

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

	For the three months ended March 31			
	2023			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 3,275,388	18,346	-	3,293,734
Intersegment revenues	24,360	57,762	(82,122)	-
Total revenue	<u>\$ 3,299,748</u>	<u>76,108</u>	<u>(82,122)</u>	<u>3,293,734</u>
Reportable segment profit or loss	<u>\$ (88,513)</u>	<u>(6,426)</u>	<u>16</u>	<u>(94,923)</u>

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APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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	For the three months ended March 31			
	2022			
	Thailand	Other	Adjustments and eliminations	Total
Revenue				
Revenue from external customers	\$ 4,143,100	-	1,806	4,144,906
Intersegment revenues	5,915	66,124	(72,039)	-
	\$ 4,149,015	66,124	(70,233)	4,144,906
Total revenue				
Reportable segment profit or loss	\$ 433,539	(11,828)	(1,026)	420,685

For the three months ended March 31, 2023 and 2022, the adjustments and eliminations of the intersegment net profit to the reportable segment profit or loss were \$16 thousand and \$(1,026) thousand, respectively.