

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

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8~9
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~22
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	22~23
(6) Explanation of significant accounts	23~58
(7) Related-party transactions	58
(8) Pledged assets	59
(9) Significant commitments and contingencies	59
(10) Losses due to major disasters	60
(11) Subsequent events	60
(12) Other	60
(13) Other disclosures	
(a) Information on significant transactions	61
(b) Information on investees	62
(c) Information on investment in China	62
(d) Major shareholders	63
(14) Segment information	63~65



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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Apex International Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgments, the key audit matter that should be disclosed in this audit report is as follows:

Subsequent measurements of inventories

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

Description of key audit matter:

Inventories of the Group are measured at the lower of cost and net realizable value. The net realizable value of inventories is vulnerable to the impact of highly competitive market and the renewal of production technology of printed circuit board, which leads to the risk that the cost of inventories could be higher than the net realizable value. Therefore, the subsequent measurements of inventories was considered to be one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our audit procedures included:

- Assessing whether appropriate provision policies for inventories are applied.
- Assessing whether the Group's subsequent measurement of inventories has been evaluated in accordance with the Group's provision policy on a consistent basis.
- Obtaining aging analysis of inventories, assessing the appropriateness of provision set aside for obsolete and slow-moving inventories, and examining relevant documents to verify the accuracy of the aging period.
- Obtaining evaluation report of the net realizable value of inventories, assessing the appropriateness of provision set aside for loss on market price decline, and examining relevant documents to verify the accuracy of sales prices and calculation of net realizable value.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters significant in our audit of the consolidated financial statements for the years ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
February 28, 2024

Notes to Readers

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

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

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
11xx	Current assets:					21xx	Current liabilities:				
1100	Cash and cash equivalents (notes 6(a) and 8)	\$ 641,929	4	714,266	4	2100	Short-term loans (notes 6(f), (i), 7, 8 and 9)	\$ 2,284,359	13	2,472,991	12
1110	Financial assets at fair value through profit or loss – current (notes 6(a), (b) and 8)	23,521	-	20,755	-	2120	Financial liabilities at fair value through profit or loss – current (notes 6(a), (b) and 8)	1,595	-	12	-
1150	Notes receivable, net (notes 6(c) and (p))	1,522	-	156	-	2170	Accounts payable	1,911,865	11	2,083,281	11
1170	Accounts receivable, net (notes 6(c) and (p))	2,999,642	17	3,952,037	20	2200	Other payables (note 6(q))	494,683	3	528,457	3
1200	Other receivables (note 6(d))	104,027	1	121,501	1	2213	Payable for machinery and equipment	237,280	1	533,484	3
130x	Inventories (note 6(e))	2,231,765	12	3,098,039	15	2230	Current tax liabilities	79	-	61,189	-
1470	Other current assets	62,801	-	58,136	-	2280	Current lease liabilities (notes 6(g) and (k))	46,613	-	45,042	-
	Total current assets	<u>6,065,207</u>	<u>34</u>	<u>7,964,890</u>	<u>40</u>	2322	Long-term loans, current portion (notes 6(a), (f), (j), 7 and 8)	2,407,691	13	1,400,452	7
15xx	Non-current assets:					2399	Other current liabilities	37,510	-	60,188	-
1600	Property, plant and equipment (notes 6(f), (g), (h), (i), (j), 8, 9 and 11)	11,474,655	63	11,480,481	57		Total current liabilities	<u>7,421,675</u>	<u>41</u>	<u>7,185,096</u>	<u>36</u>
1755	Right-of-use asset (notes 6(f), (g) and (k))	135,616	1	149,934	1	25xx	Non-Current liabilities:				
1780	Intangible assets (notes 6(f) and (h))	193,653	1	205,841	1	2540	Long-term loans (notes 6(a), (f), (j), 7 and 8)	3,523,834	20	4,575,831	23
1840	Deferred tax assets (note 6(m))	39,789	-	35,997	-	2570	Deferred tax liabilities (note 6(m))	40,261	-	42,229	-
1915	Prepayments for equipment (note 6(f))	164,195	1	158,966	1	2580	Non-current lease liabilities (notes 6(g) and (k))	92,810	1	107,713	1
1920	Refundable deposits	8,117	-	8,312	-	2612	Long-term payable	10,747	-	18,921	-
1980	Other financial assets – non-current (notes 6(a), (b), (j) and 8)	9,838	-	18,557	-	2670	Other non-current liabilities, others (note 6(l))	66,829	-	61,648	-
	Total non-current assets	<u>12,025,863</u>	<u>66</u>	<u>12,058,088</u>	<u>60</u>		Total non-current liabilities	<u>3,734,481</u>	<u>21</u>	<u>4,806,342</u>	<u>24</u>
							Total liabilities	<u>11,156,156</u>	<u>62</u>	<u>11,991,438</u>	<u>60</u>
						2xxx	Equity attributable to owners of the Company (notes 6(l), (m) and (n)):				
						31xx	Common stock	1,899,380	10	1,899,380	10
						3110	Capital surplus	2,405,304	13	2,405,512	12
						3200	Retained earnings	3,093,451	18	4,265,773	21
						3300	Exchange differences on translation of foreign financial statements	(494,097)	(3)	(572,465)	(3)
						3410	Total equity attributable to owners of the Company	<u>6,904,038</u>	<u>38</u>	<u>7,998,200</u>	<u>40</u>
							Non-controlling interests	30,876	-	33,340	-
						36xx	Total equity	<u>6,934,914</u>	<u>38</u>	<u>8,031,540</u>	<u>40</u>
						3xxx	Total liabilities and equity	<u>\$ 18,091,070</u>	<u>100</u>	<u>\$ 20,022,978</u>	<u>100</u>
1xxx	Total assets	<u>\$ 18,091,070</u>	<u>100</u>	<u>20,022,978</u>	<u>100</u>	2-3xxx					

See accompanying notes to consolidated financial statements.

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (note 6(p))	\$ 12,628,251	100	14,906,225	100
5000	Operating costs (notes 6(e), (f), (g), (h), (k), (l) and 12)	<u>11,599,833</u>	<u>92</u>	<u>12,076,878</u>	<u>81</u>
5900	Gross profit from operations	<u>1,028,418</u>	<u>8</u>	<u>2,829,347</u>	<u>19</u>
6000	Operating expenses (notes 6(c), (f), (g), (h), (k), (l), (q), 7 and 12):				
6188	Selling expenses	845,964	6	975,651	7
6200	Administrative expenses	774,367	6	742,145	5
6300	Research and development expenses	57,095	-	53,600	-
6450	Expected credit loss (reversal of expected credit loss)	<u>(44,506)</u>	<u>-</u>	<u>46,627</u>	<u>-</u>
	Total operating expenses	<u>1,632,920</u>	<u>12</u>	<u>1,818,023</u>	<u>12</u>
6900	Operating income (loss)	<u>(604,502)</u>	<u>(4)</u>	<u>1,011,324</u>	<u>7</u>
7000	Non-operating income and expenses (notes 6(b), (f), (g), (k) and (r)):				
7100	Interest income	3,124	-	1,593	-
7010	Other income	45,971	-	51,908	-
7020	Other gains and losses	30,392	-	42,485	-
7050	Finance costs	<u>(280,592)</u>	<u>(2)</u>	<u>(161,671)</u>	<u>(1)</u>
	Total non-operating income and expenses	<u>(201,105)</u>	<u>(2)</u>	<u>(65,685)</u>	<u>(1)</u>
7900	Profit (loss) from continuing operations before tax	<u>(805,607)</u>	<u>(6)</u>	<u>945,639</u>	<u>6</u>
7951	Less: Income tax expenses (benefits) (note 6(m))	<u>(5,655)</u>	<u>-</u>	<u>67,272</u>	<u>-</u>
8200	Profit (loss)	<u>(799,952)</u>	<u>(6)</u>	<u>878,367</u>	<u>6</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss (notes 6(l) and (m))				
8311	Gains on remeasurements of defined benefit plans	4,742	-	11,122	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>226</u>	<u>-</u>	<u>586</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>4,516</u>	<u>-</u>	<u>10,536</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	78,686	-	478,534	3
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>
	Total of components of other comprehensive income that will be reclassified to profit or loss	<u>78,686</u>	<u>-</u>	<u>478,534</u>	<u>3</u>
8300	Other comprehensive income	<u>83,202</u>	<u>-</u>	<u>489,070</u>	<u>3</u>
8500	Total comprehensive income (loss)	<u>\$ (716,750)</u>	<u>(6)</u>	<u>1,367,437</u>	<u>9</u>
	Profit (loss) attributable to:				
8610	Owners of the Company	\$ (796,944)	(6)	874,482	6
8620	Non-controlling interests	<u>(3,008)</u>	<u>-</u>	<u>3,885</u>	<u>-</u>
		<u>\$ (799,952)</u>	<u>(6)</u>	<u>878,367</u>	<u>6</u>
	Comprehensive income (loss) attributable to:				
8710	Owners of the Company	\$ (714,078)	(6)	1,361,477	9
8720	Non-controlling interests	<u>(2,672)</u>	<u>-</u>	<u>5,960</u>	<u>-</u>
		<u>\$ (716,750)</u>	<u>(6)</u>	<u>1,367,437</u>	<u>9</u>
	Earnings (deficits) per share (expressed in New Taiwan dollars) (note 6(o))				
9750	Basic earnings (deficits) per share	\$ <u>(4.20)</u>		<u>4.60</u>	
9850	Diluted earnings (deficits) per share	\$ <u>(4.20)</u>		<u>4.60</u>	

See accompanying notes to consolidated financial statements.

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(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, 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	-	-	-	874,482	874,482	-	874,482	3,885	878,367
Other comprehensive income	-	-	-	10,491	10,491	476,504	486,995	2,075	489,070
Total comprehensive income	-	-	-	884,973	884,973	476,504	1,361,477	5,960	1,367,437
Cash dividends distributed to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(5,826)	(5,826)
Balance at December 31, 2022	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	-	-	-	(796,944)	(796,944)	-	(796,944)	(3,008)	(799,952)
Other comprehensive income	-	-	-	4,498	4,498	78,368	82,866	336	83,202
Total comprehensive income (loss)	-	-	-	(792,446)	(792,446)	78,368	(714,078)	(2,672)	(716,750)
Changes in ownership interests in subsidiaries	-	(208)	-	-	-	-	(208)	208	-
Balance at December 31, 2023	\$ 1,899,380	2,405,304	1,048,969	2,044,482	3,093,451	(494,097)	6,904,038	30,876	6,934,914

See accompanying notes to consolidated financial statements.

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

APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (805,607)	945,639
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,316,913	1,068,488
Amortization expense	24,981	18,692
Expected credit loss (reversal of expected credit loss)	(44,506)	46,627
Interest expense	280,592	161,671
Interest income	(3,124)	(1,593)
Loss (gain) on disposal of property, plant and equipment	(2,637)	25,002
Valuation losses (gains) on financial assets or liabilities, net	8,831	(50,190)
Loss (gain on reversal) of impairment on non-financial assets	16,699	(9,619)
Gain on lease modification	-	(337)
Total adjustments to reconcile profit (loss)	<u>1,597,749</u>	<u>1,258,741</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	63,220	39,854
Notes receivable	(1,366)	(156)
Accounts receivable	996,054	332,166
Other receivables	17,474	80,082
Inventories	866,274	639,923
Other current assets	(4,665)	67,806
Total changes in operating assets	<u>1,936,991</u>	<u>1,159,675</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(73,029)	(4,398)
Accounts payable	(171,416)	(1,454,143)
Other payables	(35,423)	(44,254)
Other current liabilities	(22,678)	(11,743)
Other non-current liabilities	9,923	11,045
Total changes in operating liabilities	<u>(292,623)</u>	<u>(1,503,493)</u>
Total changes in operating assets and liabilities	<u>1,644,368</u>	<u>(343,818)</u>
Total adjustments	<u>3,242,117</u>	<u>914,923</u>
Cash inflow generated from operations	2,436,510	1,860,562
Interest received	3,124	1,593
Interest paid	(278,943)	(158,801)
Income taxes paid	(61,915)	(51,064)
Net cash flows from operating activities	<u>2,098,776</u>	<u>1,652,290</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(1,264,140)	(2,029,284)
Proceeds from disposal of property, plant and equipment	26,669	809
Decrease (increase) in refundable deposits	195	(501)
Acquisition of intangible assets	(7,880)	(14,898)
Decrease (increase) in other financial assets—non-current	8,719	(10,351)
Increase in prepayments for equipment	(235,429)	(267,434)
Net cash flows used in investing activities	<u>(1,471,866)</u>	<u>(2,321,659)</u>
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(211,742)	(197,987)
Proceeds from long-term loans	2,387,969	3,029,967
Repayments of long-term loans	(2,490,219)	(1,521,685)
Payment of lease liabilities	(50,293)	(46,289)
Cash dividends paid	(379,876)	(759,752)
Cash dividends distributed to non-controlling interests	-	(5,826)
Net cash flows from (used in) financing activities	<u>(744,161)</u>	<u>498,428</u>
Effect of exchange rate changes on cash and cash equivalents	<u>44,914</u>	<u>224,833</u>
Net increase (decrease) in cash and cash equivalents	<u>(72,337)</u>	<u>53,892</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>\$ 641,929</u>	<u>714,266</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
APEX INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 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 February 28, 2024.

(3) New standards, amendments and interpretations adopted:

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

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

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"

(Continued)

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

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group does not expect the following 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”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(b) Basis of preparation

(i) The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statement of financial position:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(n).

(ii) Functional and presentation currency

The functional currency of a Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(Continued)

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of parent and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

The Company's subsidiaries were as follows:

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)		Note
			December 31, 2023	December 31, 2022	
The Company	Apex Circuit (Thailand) Co., Ltd. (APT)	PCB manufacturing and sales	99.60 %	99.58 %	(Note1)
The Company	Approach Excellence Trading Ltd. (incorporated in British Virgin Islands) (AET)	Supply chain integration	100.00 %	100.00 %	
APT	Shye Feng Enterprise (Thailand) Co., Ltd. (APS)	PCB manufacturing and sales	99.99 %	99.99 %	
APT	Apex IPO (Dong Guan) Ltd. (APC)	Supply chain integration	100.00 %	100.00 %	(Note2)
APS	Shye Feng (Singapore) Pte. Ltd. (APSS)	PCB sales development	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.

(Continued)

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

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into presentation currency at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange difference arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(Continued)

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

(e) Assets and liabilities classified as current and non-current

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(Continued)

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, trades receivable, other receivables, guarantee deposit paid and other financial assets).

Loss allowance for bank balances, other receivables and other financial assets are measured by 12-month ECL for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

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

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liability. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Continued)

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

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when and only when, the Group currently has a legally enforceable right to set off the amounts, and it intends either to settle them on a net basis or to realize the asset and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The subsequent measurement of inventories is based on the lower of cost or net realizable value, item by item. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. If the market values rise in the subsequent period, then the cost of inventories should be adjusted to the market values, while the adjustment amount should not be over the previous reduction range, and such adjustment should be recorded as cost of goods sold in the current period.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(Continued)

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Land improvement	5 to 10 years
Buildings	1.25 to 20 years
Machinery and equipment	1 to 20 years
Transportation equipment	3 to 5 years
Office equipment	5 to 20 years
Leasehold improvement	1.5 to 6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease — as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments; including substantive fixed payments

(Continued)

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

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and vehicles that have a lease term of 12 months or less and leases of low-value assets, including office equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including customer relationships, and operating procedure, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Customer relationships	10 years
2) Operating procedure	5 years
3) Software	5 to 10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

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

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(Continued)

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

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payable or receivable on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction 1) affects neither accounting nor taxable profits (losses) and 2) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax payable are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reversed, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes if any.

(Continued)

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

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entity which intends to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(q) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(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 the IFRSs 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of the changes in the accounting estimates in the period.

(Continued)

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

Significant risks of adjustment in balances of assets and liabilities accounts in the subsequent fiscal year could arise from the following assumptions and estimations' inherent uncertainties. The related information is presented as below:

(a) Subsequent measurements of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the subsequent measurements of inventories.

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(h) for further description of the impairment of goodwill.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 3,723	1,521
Demand deposits	614,841	637,507
Checking deposits	10,132	13,822
Time deposits	<u>13,233</u>	<u>61,416</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 641,929</u>	<u>714,266</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:

	December 31, 2023	December 31, 2022
Restricted bank deposit	<u>\$ 9,838</u>	<u>18,577</u>

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

Please refer to note 6(s) for the disclosure of interest rate risks and sensitivity analysis of the Groups' financial assets and liabilities.

(Continued)

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

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

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

	December 31, 2023	December 31, 2022
Financial assets held-for-trading:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ <u>23,521</u>	<u>20,755</u>

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

	December 31, 2023	December 31, 2022
Financial liabilities held-for-trading:		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ <u>1,595</u>	<u>12</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 December 31, 2023 and 2022.

Forward exchange contracts:

December 31, 2023				
	Amount (in thousands)	Currency	Maturity dates	Fair value of assets (liabilities)
Forward exchange sold	USD 32,300	USD to THB	2024.1.16 ~2024.3.4	\$ <u>23,521</u>
Forward exchange purchased	USD 2,000	USD to THB	2024.1.2	\$ (1,499)
Forward exchange purchased	CNY 700	CNY to THB	2024.1.16	<u>(96)</u>
Total				\$ <u>(1,595)</u>
December 31, 2022				
	Amount (in thousands)	Currency	Maturity dates	Fair value of assets (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

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

(c) Notes receivable and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 1,522	156
Accounts receivable	3,055,286	4,051,340
Less: allowance for bad debt	<u>(55,644)</u>	<u>(99,303)</u>
	<u><u>\$ 3,001,164</u></u>	<u><u>3,952,193</u></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:

	<u>December 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted average loss rate (%)</u>	<u>Loss allowance provision</u>
Not yet due	\$ 232,787	0.78	1,822
Past due 1~30 days	68,036	3.49	2,376
Past due 31~60 days	19,404	10.02	1,945
Past due 121~180 days	18	88.89	16
Past due over 180 days	<u>7,208</u>	100.00	<u>7,208</u>
	<u><u>\$ 327,453</u></u>		<u><u>13,367</u></u>
	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted average loss rate (%)</u>	<u>Loss allowance provision</u>
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	<u>6,299</u>	100.00	<u>6,299</u>
	<u><u>\$ 580,196</u></u>		<u><u>23,315</u></u>

(Continued)

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

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

	December 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 335,974	-	-
Past due 1~30 days	43,305	-	-
Past due 31~60 days	25,501	-	-
Past due 61~90 days	<u>11,162</u>	-	-
	<u>\$ 415,942</u>		<u>-</u>
	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	<u>6,903</u>	-	-
	<u>\$ 323,580</u>		<u>-</u>

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

	December 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	<u>\$ 1,961</u>	100.00	<u>1,961</u>
	December 31, 2022		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Past due over 180 days	<u>\$ 2,033</u>	100.00	<u>2,033</u>

(Continued)

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

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

	December 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 1,538,624	-	-
Past due 1~30 days	266,527	-	-
Past due 31~60 days	10,560	-	-
Past due 61~90 days	3,175	-	-
Past due 91~120 days	2,345	-	-
Past due 121~180 days	66	36.36	24
	\$ 1,821,297		24

The accounts receivable above did not contain all the amounts that the Group has for a specific 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 was \$38,412 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 specific 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 was \$38,411 thousand.

(Continued)

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

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

	December 31, 2023		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	\$ 347,485	0.18	626
Past due 1~30 days	68,083	0.62	424
Past due 31~60 days	16,566	1.77	294
Past due 61~90 days	19,609	2.73	536
	\$ 451,743		1,880

	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
	\$ 1,344,751		35,250

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

	2023	2022
Balance at the beginning	\$ 99,303	47,187
Loss (gain on reversal) of impairment	(44,506)	46,627
Foreign exchange losses	847	5,489
Balance at the ending	\$ 55,644	99,303

(d) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	\$ 104,027	121,501

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

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

(Continued)

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

(e) Inventories

	December 31, 2023		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 720,180	(139,629)	580,551
Work in process	353,063	(16,066)	336,997
Finished goods	835,593	(178,807)	656,786
Supplies and spare parts	690,420	(51,882)	638,538
Goods in transit	14,066	-	14,066
Merchandise inventory	4,827	-	4,827
Total	\$ 2,618,149	(386,384)	2,231,765

	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	7,385	-	7,385
Total	\$ 3,459,049	(361,010)	3,098,039

For the years ended December 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:

	2023	2022
Allowance for inventory valuation and obsolescence losses	\$ 21,554	160,197
Revenue from sale of scrap	(334,412)	(437,847)
Loss on inventory write-off	298,576	65,852
Testing cost	223,965	39,144
Idel cost	88,229	-
Unallocated manufacturing expense	529,319	476,327
Physical count variance	-	12
	\$ 827,231	303,685

As of December 31, 2023 and 2022, the Group did not pledge its inventory as collateral.

(Continued)

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

(f) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group in the years ended December 31, 2023 and 2022, were as follows:

	<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>
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	-	-	347,478	424,105	-	56,497	-	131,682	959,762
Disposals	-	-	-	(151,928)	-	(6,397)	-	-	(158,325)
Reclassification (notes 1, 2 and 3)	-	-	499,245	245,444	481	59,722	-	(575,611)	229,281
Translation effect	6,968	130	40,364	117,624	226	7,148	206	8,191	180,857
Balance at December 31, 2023	<u>\$ 719,031</u>	<u>13,505</u>	<u>4,770,434</u>	<u>12,508,313</u>	<u>23,723</u>	<u>819,343</u>	<u>24,661</u>	<u>528,004</u>	<u>19,407,014</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	-	5,167	235,084	721,328	298	42,408	141	281,677	1,286,103
Disposals	-	-	(225)	(161,274)	(15)	(5,753)	-	-	(167,267)
Reclassification (notes 1 and 2)	-	-	405,743	1,539,733	-	74,727	-	(1,686,847)	333,356
Translation effect	47,332	766	242,839	739,094	1,521	43,874	1,480	97,609	1,174,515
Balance at December 31, 2022	<u>\$ 712,063</u>	<u>13,375</u>	<u>3,883,347</u>	<u>11,873,068</u>	<u>23,016</u>	<u>702,373</u>	<u>24,455</u>	<u>963,742</u>	<u>18,195,439</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	-	1,947	226,198	944,240	1,197	89,236	2,844	-	1,265,662
Impairment loss	-	-	-	16,699	-	-	-	-	16,699
Disposals	-	-	-	(128,987)	-	(5,306)	-	-	(134,293)
Reclassification (notes 3)	-	-	-	-	481	-	-	-	481
Translation effect	-	73	12,754	51,458	195	4,241	131	-	68,852
Balance at December 31, 2023	<u>\$ -</u>	<u>8,859</u>	<u>1,477,853</u>	<u>5,904,862</u>	<u>21,483</u>	<u>500,351</u>	<u>18,951</u>	<u>-</u>	<u>7,932,359</u>
Balance at January 1, 2022	\$ -	4,970	976,535	4,093,522	16,976	315,032	12,259	-	5,419,294
Depreciation	-	1,450	184,539	754,168	1,378	77,032	2,866	-	1,021,433
Gain on reversal of impairment	-	-	-	(9,619)	-	-	-	-	(9,619)
Disposals	-	-	(122)	(135,872)	(15)	(5,447)	-	-	(141,456)
Translation effect	-	419	77,949	319,253	1,271	25,563	851	-	425,306
Balance at December 31, 2022	<u>\$ -</u>	<u>6,839</u>	<u>1,238,901</u>	<u>5,021,452</u>	<u>19,610</u>	<u>412,180</u>	<u>15,976</u>	<u>-</u>	<u>6,714,958</u>
Carrying amount:									
Balance at December 31, 2023	<u>\$ 719,031</u>	<u>4,646</u>	<u>3,292,581</u>	<u>6,603,451</u>	<u>2,240</u>	<u>318,992</u>	<u>5,710</u>	<u>528,004</u>	<u>11,474,655</u>
Balance at December 31, 2022	<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>

- Note 1: The cost of \$231,766 thousand and \$361,478 thousand, respectively, were transferred from prepayment for equipment for the years ended December 31, 2023 and 2022.
- Note 2: The cost of \$2,966 thousand and \$28,122 thousand, respectively, were reclassified from equipment undergoing acceptance testing of property, plant and equipment to intangible assets for the years ended December 31, 2023 and 2022.
- Note 3: The cost of \$481 thousand and accumulated depreciation of \$481 thousand were reclassified from right-of-use asset for the year ended December 31, 2023.

(Continued)

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

The Group evaluated the majority of the idle machinery for impairment and estimated the differences between the book value and the recoverable amount. The impairment loss (gain on reversal) recognized was as follows:

	2023	2022
Loss (gain on reversal) of impairment	\$ 16,699	(9,619)

The Group used the fair value, less selling cost, to calculate the recoverable amount as the basis to assess the impairment of the idle property, plant and equipment.

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.

(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:

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Total
Cost:					
Balance at January 1, 2023	\$ 170,527	83,290	58,538	1,324	313,679
Additions	1,762	23,418	10,466	-	35,646
Reclassification to property, plant and equipment	-	-	(481)	-	(481)
Translation effect	1,369	880	819	13	3,081
Balance at December 31, 2023	\$ 173,658	107,588	69,342	1,337	351,925
Balance at January 1, 2022	\$ 124,896	67,759	43,281	1,236	237,172
Additions	52,665	10,238	11,658	-	74,561
Disposals (end of contract and early termination of contract)	(16,105)	-	-	-	(16,105)
Translation effect	9,071	5,293	3,599	88	18,051
Balance at December 31, 2022	\$ 170,527	83,290	58,538	1,324	313,679
Accumulated depreciation and impairment losses:					
Balance at January 1, 2023	\$ 74,461	51,080	37,151	1,053	163,745
Depreciation	24,453	15,686	10,886	226	51,251
Reclassification to property, plant and equipment	-	-	(481)	-	(481)
Translation effect	629	543	612	10	1,794
Balance at December 31, 2023	\$ 99,543	67,309	48,168	1,289	216,309

(Continued)

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

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance at January 1, 2022	\$ 52,408	34,476	26,428	641	113,953
Depreciation	24,707	13,531	8,467	350	47,055
Disposals (end of contract and early termination of contract)	(6,442)	-	-	-	(6,442)
Translation effect	3,788	3,073	2,256	62	9,179
Balance at December 31, 2022	<u>\$ 74,461</u>	<u>51,080</u>	<u>37,151</u>	<u>1,053</u>	<u>163,745</u>
Carrying amount:					
Balance at December 31, 2023	<u>\$ 74,115</u>	<u>40,279</u>	<u>21,174</u>	<u>48</u>	<u>135,616</u>
Balance at December 31, 2022	<u>\$ 96,066</u>	<u>32,210</u>	<u>21,387</u>	<u>271</u>	<u>149,934</u>

(h) Intangible assets

The cost, amortization, and impairment losses for the intangible assets of the Group for the years ended December 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	-	-	-	7,880	7,880
Disposal	-	-	-	(155)	(155)
Reclassification from property, plant and equipment	-	-	-	2,966	2,966
Translation effect	1,089	28	373	1,672	3,162
Balance at December 31, 2023	<u>\$ 112,383</u>	<u>2,934</u>	<u>38,471</u>	<u>184,099</u>	<u>337,887</u>
Balance at January 1, 2022	\$ 103,896	2,711	35,566	118,484	260,657
Addition	-	-	-	14,898	14,898
Disposal	-	-	-	(102)	(102)
Reclassification from property, plant and equipment	-	-	-	28,122	28,122
Translation effect	7,398	195	2,532	10,334	20,459
Balance at December 31, 2022	<u>\$ 111,294</u>	<u>2,906</u>	<u>38,098</u>	<u>171,736</u>	<u>324,034</u>
Amortization and impairment loss:					
Balance at January 1, 2023	\$ -	1,743	11,429	105,021	118,193
Amortization	-	585	3,836	20,560	24,981
Disposals	-	-	-	(155)	(155)
Translation effect	-	19	123	1,073	1,215
Balance at December 31, 2023	<u>\$ -</u>	<u>2,347</u>	<u>15,388</u>	<u>126,499</u>	<u>144,234</u>

(Continued)

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

	<u>Goodwill</u>	<u>Operating procedure</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
Balance at January 1, 2022	\$ -	1,085	7,113	84,041	92,239
Amortization	-	556	3,644	14,492	18,692
Disposals	-	-	-	(102)	(102)
Translation effect	-	102	672	6,590	7,364
Balance at December 31, 2022	<u>\$ -</u>	<u>1,743</u>	<u>11,429</u>	<u>105,021</u>	<u>118,193</u>
Carrying amount:					
Balance at December 31, 2023	<u>\$ 112,383</u>	<u>587</u>	<u>23,083</u>	<u>57,600</u>	<u>193,653</u>
Balance at December 31, 2022	<u>\$ 111,294</u>	<u>1,163</u>	<u>26,669</u>	<u>66,715</u>	<u>205,841</u>

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

On November 31, 2023 and 2022, asset impairment test reports issued by an external expert engaged by the Group had been prepared based on the APS's financial forecast covering 2024 to 2028 and 2023 to 2027, respectively. The projection of operating revenue over the forecast period was made based on the geographical location and product types. Therefore, the consolidated financial statements have disclosed whether the actual operating revenue and gross profit margin achieved their forecasts for the years ended December 31, 2023 and 2022.

Due to unexpected market demand, the actual operating revenue failed to achieve the forecast operating revenue for the years ended December 31, 2023 and 2022.

Based on the result of value-in-use calculation, the recoverable amount of APS of THB 402,300 thousand and THB 500,884 thousand in 2023 and 2022, respectively, which was higher than the asset's carrying amount. Therefore, no impairment was recognized.

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

- (i) Projections on the cash flows are based on historical experience, actual operational results, and corporate strategic plans for the following five years.
- (ii) The after-tax discount rate is based on the Group's weighted-average cost of capital. As of October 31, 2023 and October 31, 2022, the adopted discount rate is 15.30% and 12.90%, respectively.

(Continued)

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

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

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

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

(i) Short-term loans

	December 31, 2023	December 31, 2022
Secured loans	\$ 85,291	91,720
Unsecured loans	2,199,068	2,381,271
Total	<u>\$ 2,284,359</u>	<u>2,472,991</u>
Unused credit line	<u>\$ 3,604,739</u>	<u>3,196,279</u>
Interest rate (%)	<u>1.95~5.95</u>	<u>0.39~5.81</u>

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

(j) Long-term loans

The long-term loans of the Group were stated as follows:

	December 31, 2023	December 31, 2022
Secured loans	\$ 424,300	568,775
Unsecured loans	5,512,155	5,413,918
Less: deferred financing fee	(4,930)	(6,410)
Subtotal	5,931,525	5,976,283
Less: current portion	(2,407,691)	(1,400,452)
Total	<u>\$ 3,523,834</u>	<u>4,575,831</u>
Unused credit line	<u>\$ 8,419,371</u>	<u>6,987,756</u>
Interest rate (%)	<u>2.16~6.33</u>	<u>1.00~5.63</u>
Maturity date	<u>2024.3~2029.6</u>	<u>2023.4~2027.12</u>

(Continued)

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

(i) Collateral for loans

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

(ii) Loan contracts

1) In 2023, APT, a subsidiary of the Company, entered into separate credit contracts with different banks in Thailand, namely, the Bangkok Bank, KASIKORNBANK, TTB Thanachart Bank, Land And Houses Bank, Siam Commercial Bank, and Taipei Fubon Commercial Bank, with the covenants as follows:

- a) The tangible equity (total equity - intangible asset) must exceed NTD 6 billion.
- b) Interest coverage ratio [(net income before tax + interest expense + depreciation expense + amortization expense)/interest expense] must exceed 300%.
- c) The current ratio (current asset/current liability, minus debt repayment due in one year) must exceed 100%~105%.
- d) The debt ratio (total liabilities/tangible equity) cannot exceed 200%.
- e) The interest bearing debt to EBITDA ratio **【**bank borrowings / (profit before tax + interest expenses + depreciation expenses + amortization expenses) **】** cannot exceed the above ratio's 3.5 times.
- f) The debt service coverage ratio **【**(profit before tax + interest expenses + depreciation expenses + amortization expenses) / (short term loans + interest expenses) **】** must exceed 1.25~1.50 times of the above ratio.

The ratios offered by Taipei Fubon Commercial Bank mentioned above are calculated based on the semi-annual and the annual audited consolidated financial statements of the Group. For other banks, the ratios mentioned above shall be calculated based on the audited annual financial statements of APT.

2) In 2023, the Company entered into separate credit contracts with different banks in Taiwan, namely, Bank SinoPac Co., Ltd., Taiwan Shin Kong Commercial Bank, Taipei Fubon Commercial Bank, and Mega International Commercial Bank, with the covenants as follows:

- a) The tangible equity (total equity - intangible asset) must exceed NTD 6 billion.
- b) Interest coverage ratio [(net income before tax + interest expense + depreciation expense + amortization expense)/interest expense] must exceed 300%.
- c) The current ratio (current asset/current liability, minus debt repayment due in one year) must exceed 100%.
- d) The debt ratio (total liabilities/tangible equity) cannot exceed 200%.

(Continued)

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

The ratios offered by Taipei Fubon Commercial Bank mentioned above are calculated based on the semi-annual and the annual audited consolidated financial statements of the Group. For other banks, the ratios mentioned above shall be calculated based on the annual audited consolidated financial statements of the Group.

- 3) In 2022, APT, a subsidiary of the Company, entered into separate credit contracts with different banks in Thailand, namely, the Land and Houses Bank, Bangkok Bank, E Sun Commercial Ltd., Mega International Commercial Bank, Siam Commercial Bank, and TTB Thanachart Bank, with the covenants as follows:
- a) The tangible equity (total equity - intangible asset) must exceed THB 5 billion.
 - b) Interest coverage ratio [(net income before tax + interest expense + depreciation expense + amortization expense)/interest expense] must exceed 300%.
 - c) The current ratio (current asset/current liability, minus debt repayment due in one year) must exceed 100%~105% .
 - d) The debt ratio (total liabilities/tangible equity) cannot exceed 200%.
 - e) The interest bearing debt to EBITDA ratio **【** bank borrowings / (profit before tax + interest expenses + depreciation expenses + amortization expenses) **】** cannot exceed the above ratio's 3.5 times.
 - f) The debt service coverage ratio **【** (profit before tax + interest expenses + depreciation expenses + amortization expenses) / (short term loans + interest expenses) **】** must exceed the above ratio's 1.25~1.50 times.

The ratios mentioned above shall be calculated based on the annual audited consolidated and parent-company-only financial statements of the Group and APT, respectively.

- 4) According to the loan contracts, the audited financial report shall be reviewed once or twice annually to calculate and maintain specific financial ratios.

Due to the decline in market demand, the Company and APT violated the above debt covenants with Taipei Fubon Commercial Bank, Bangkok Bank, Siam Commercial Bank, Kasikorn Bank, and TTB Thanachart Bank, as of December 31, 2023. After negotiating with the said banks, all parties have agreed to review the financial ratios again after the end of 2024. As a result, the Company and APT had no obligation to repay the bank borrowings immediately at December 31, 2023.

The Company and APT violated the debt covenants of certain banks as of December 31, 2023, wherein the amount of \$431,386 thousand had been reclassified from long-term loans to long-term loans, current portion. In addition, after negotiating with E Sun Commercial Bank Ltd., the Group has obtained a waiver for reviewing the debt covenants in February 2024.

(Continued)

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

(k) Lease liabilities

The amounts of leased liability were as follows:

	December 31, 2023	December 31, 2022
Current	\$ 46,613	45,042
Non-current	92,810	107,713
	<u>\$ 139,423</u>	<u>152,755</u>

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	<u>\$ 4,698</u>	<u>4,139</u>
Expenses relating to short-term leases	<u>\$ 6,170</u>	<u>6,635</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 527</u>	<u>604</u>

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

	2023	2022
Total cash outflow from operating activities	\$ 11,395	11,378
Total cash outflow from financing activities	50,293	46,289
Total cash outflow for leases	<u>\$ 61,688</u>	<u>57,667</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.

(Continued)

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

(l) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations for the Group were as follows:

	December 31, 2023	December 31, 2022
Net defined benefit liability	<u>\$ 60,311</u>	<u>55,342</u>

1) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	2023	2022
Defined benefit obligation at January 1	\$ 55,432	55,342
Current service costs and interest	11,881	11,208
Remeasurements of the net defined benefit liability		
— Actuarial gains and losses arising from changes in demographic assumptions	(5,035)	(1,019)
— Actuarial gains and losses arising from changes in financial assumptions	293	(6,469)
Underestimation of actuarial gains in prior period	-	(3,634)
Benefit paid	(2,814)	(3,768)
Exchange differences on translation of foreign plans	554	3,772
Defined benefit obligation at December 31	<u>\$ 60,311</u>	<u>55,432</u>

2) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	2023	2022
Current service costs	\$ 10,111	10,022
Net interest on the net defined benefit liability	1,770	1,186
	<u>\$ 11,881</u>	<u>11,208</u>

(Continued)

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

- 3) Remeasurements of the net defined benefit liability recognized under other comprehensive income

The Group's remeasurements of the net defined benefit liability recognized in other comprehensive income as of 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Cumulative amount at January 1	\$ (28,622)	(16,708)
Recognized gains during this period	(4,742)	(11,122)
Translation effect	<u>(189)</u>	<u>(792)</u>
Cumulative amount at December 31	<u>\$ (33,553)</u>	<u>(28,622)</u>

- 4) Actuarial assumptions

Assumptions used on calculating the present value of the defined benefit obligation as of December 31, 2023 and 2022 were as follow:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	2.93%~3.17%	2.83%~3.22%
Future salary increases (employees paid monthly)	1.00%~3.00%	1.00%~3.00%
Future salary increases (employees paid daily)	2.00%~3.00%	2.00%~3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$2,290 thousand.

The weighted average duration of the defined benefit plan is 9.00 years to 13.14 years.

- 5) Sensitivity analysis for actuarial assumption

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2023 and 2022, the effect of changes in actuarial assumption on the present value of the defined benefit obligation was as follows:

	<u>The effect of defined benefit obligation</u>	
	<u>Increase 1.00%</u>	<u>Decrease 1.00%</u>
At December 31, 2023		
Discount rate (changes 1.00%)	(6,834)	8,045
Future salary adjustment rate (changes 1.00%)	8,060	(6,959)

(Continued)

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

	The effect of defined benefit obligation	
	Increase	Decrease
	1.00%	1.00%
At December 31, 2022		
Discount rate (changes 1.00%)	(6,144)	7,272
Future salary adjustment rate (changes 1.00%)	7,266	(6,240)

The above sensitivity analysis is analyzed based on the effect of changes in single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for sensitivity analysis and calculation of net pension liability is the same.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method were \$887 thousand and \$1,022 thousand for 2023 and 2022, respectively. Payment was made to the Bureau of Labor Insurance.

(iii) Long-term employee benefit plan

The balance of the Group's long-term employee benefit plan amounted to \$6,518 thousand and \$6,216 thousand as of December 31, 2023 and 2022, respectively.

(m) Income taxes

Under the tax regulations of Thailand, the maximum statutory income tax rate applicable to both APT and APS was 20% in 2023 and 2022. However, after three factories, APEX III, APEX II and APEX I, have been established by APT in Thailand, the tax exemption periods between October 16, 2021 and October 15, 2027, November 6, 2018 and November 5, 2026, and April 28, 2021 and April 27, 2027, respectively, have been granted by the Board of Investment of Thailand for specific income generated by those factories mentioned above.

On the other hand, both AET's Taiwan Branch and the Company's Taiwan Branch are subject to a maximum income tax rate of 20% in accordance with the Income Tax Act, whose basic income tax was calculated by following the Income Basic Tax Act for both branches mentioned above.

Moreover, APC and APSS are subject to a maximum income tax rates of 25% and 17% in accordance with the Corporate Income Tax Law of the People's Republic of China and Singapore, respectively.

(Continued)

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

(i) Income tax expense

Income tax expense (benefit) of the Group for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ <u>377</u>	<u>86,335</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>(6,032)</u>	<u>(19,063)</u>
Income tax expense (benefit) from continuing operations	<u>\$ (5,655)</u>	<u>67,272</u>

Income tax recognized under other comprehensive income for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Items that will not reclassified into profit and loss		
Remeasurements of defined benefit liability	<u>\$ 226</u>	<u>586</u>

Reconciliation of income tax and profit (loss) before tax for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Profit (loss) before income tax	<u>\$ (805,607)</u>	<u>945,639</u>
Income tax calculated by a statutory tax rate applied by subsidiaries	\$ (157,757)	199,207
Adjustment in accordance with tax law	4,204	(9,455)
Tax-exempt income	-	(122,480)
Current-year losses for which no deferred tax asset was recognised	148,361	-
Other	<u>(463)</u>	<u>-</u>
Total	<u>\$ (5,655)</u>	<u>67,272</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Tax losses	<u>\$ 185,649</u>	<u>38,392</u>

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

In addition, the Income Tax Act of Thailand allows a company's losses to offset against the taxable income over a period of five years for local tax reporting purpose.

(Continued)

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

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

The Group's estimated unused loss carry-forwards are not recognized ended at December 31, 2023, deduction period were as follows:

<u>Year of loss</u>	<u>Unused amount</u>	<u>Year of expiry</u>
The Company's Taiwan Branch		
2014	\$ 9,660	2024
2015	20,963	2025
2016	18,306	2026
2017	19,922	2027
2018	20,171	2028
2019	20,342	2029
2020	22,803	2030
2021	26,232	2031
2022	28,039	2032
2023	<u>36,395</u>	2032
	<u>\$ 222,833</u>	
APT:		
BOI:		
2023	<u>\$ 426,638</u>	2031~2032 (note)
NON-BOI:		
2023	<u>\$ 278,774</u>	2028

Note: The tax exemption of the above estimated unused loss carry forwards can be extended for five more years upon maturity.

2) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2023 and 2022, respectively, are as follows:

Deferred tax assets:

	<u>Defined benefit plans</u>	<u>Unrealized impairment losses</u>	<u>Difference between tax base and accounting base for useful life of fixed assets</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2023	\$ 9,121	2,030	13,182	11,664	35,997
Recognized in profit	782	2,145	2	730	3,659
Recognized in other comprehensive loss	(226)	-	-	-	(226)
Effect in exchange rate	91	24	129	115	359
Balance at December 31, 2023	<u>\$ 9,768</u>	<u>4,199</u>	<u>13,313</u>	<u>12,509</u>	<u>39,789</u>

(Continued)

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

	Defined benefit plans	Unrealized impairment losses	Difference between tax base and accounting base for useful life of fixed assets	Others	Total
Balance at January 1, 2022	\$ 9,179	6,117	11,173	5,688	32,157
Recognized in profit or loss	(94)	(4,319)	1,160	5,357	2,104
Recognized in other comprehensive loss	(586)	-	-	-	(586)
Effect in exchange rate	622	232	849	619	2,322
Balance at December 31, 2022	<u>\$ 9,121</u>	<u>2,030</u>	<u>13,182</u>	<u>11,664</u>	<u>35,997</u>

Deferred tax liabilities:

	Fair value gains	Difference between tax base and accounting base for finance leases	Others	Total
Balance at January 1, 2023	\$ 973	41,351	(95)	42,229
Recognized in profit or loss	722	(11,480)	8,385	(2,373)
Effect in exchange rate	11	372	22	405
Balance at December 31, 2023	<u>\$ 1,706</u>	<u>30,243</u>	<u>8,312</u>	<u>40,261</u>
Balance at January 1, 2022	\$ 738	55,195	43	55,976
Recognized in profit or loss	174	(16,999)	(134)	(16,959)
Effect in exchange rate	61	3,155	(4)	3,212
Balance at December 31, 2022	<u>\$ 973</u>	<u>41,351</u>	<u>(95)</u>	<u>42,229</u>

(iii) Examination and approval

The Company and AET are not required to pay income tax in the country in which it is incorporated, so there is no need to file an income tax return.

In Thailand and Singapore, where APT, APS and APSS operate, income taxes do not require approval by the tax authority. Income taxes paid in prior years have received income tax receipts up to 2022. The income tax return of AET and the Company's Taiwan Branch had been approved by the revenue department through 2021. The income tax return of APC had been approved by the revenue department through 2022.

(n) Share capital and other equity

As of December 31, 2023 and 2022, the total value of authorized common stock is \$3,000,000 thousand. Par value of each share is \$10 (dollars), and in total, there are 300,000 thousand authorized common shares. The authorized common stock is ordinary share capital. The total number of issued shares is 189,938 thousand, and the payment for all issued shares has been received.

(Continued)

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

(i) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Premium on capital stock	\$ 2,378,112	2,378,112
Donation by shareholders	27,067	27,067
Difference arising from subsidiary's share price and its carrying value	125	333
	<u>\$ 2,405,304</u>	<u>2,405,512</u>

(ii) Retained earnings

According to the Company's original Articles of Association, if there are profits in the final accounts of given year, the Company shall first make up the losses for the previous 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. The remaining balance, after adding the amount of undistributed earnings at the beginning of the period, shall be distributed based on the following percentages:

- 1) The remuneration of employees shall not be more than 2%.
- 2) The remuneration of directors and supervisors shall not be more than 2%.
- 3) Shareholders' dividend should not be less than 10%, and the distribution should be based on the proportion of shares held by each shareholder. Board of Director should consider the actual operating conditions, future capital expenditures or other operating related significant matters in proposing the distribution of the unappropriated retained earnings in the beginning of the year.

When employees' remuneration is distributed by issuing stocks, the employees of the Company's subsidiaries who meet certain criteria are eligible to receive a bonus. The Company is not obliged to pay any interest on an undistributed dividends or bonuses.

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 year, the Company shall first make up the losses for the previous 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.

(Continued)

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

The Company operates in a mature industry and is in the growth stage. In determining the amount of retained earnings and distributable earnings, the Company's dividend policy is based on the Company's future capital expenditure budget and the Company's capital requirements for future years. The amount of profit for retention and distribution, the types and percentages of dividend shall be proposed by the Board, and the Board may recommend to distribute no less than 10% of the profit of the current year as dividend, after consideration of the Company's actual earnings and capital position, and approved by the stockholders in the annual general meeting; provided that, the cash portion shall be no less than 30% of total dividends to shareholders.

(iii) Special reserve

In accordance with Financial Supervisory Commission regulation, the Company shall set aside a special reserve equal to the net balance of other deductions in shareholders' equity in the current period from net income in the current period and prior unappropriated retained earnings before earnings distribution. The special reserve set aside based on the deductions in shareholders' equity that resulted from prior periods cannot be distributed to shareholders. The Company can distribute the special reserve only up to the amount of the reversal of such deductions.

As of December 31, 2023 and 2022, the special reserve is \$1,048,969 thousand.

According to the Company's original 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 to offset the cumulative loss. Should there be difference between the actual distribution amount 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.

According to the amendment of the Company's Articles of Association, which was approved by the shareholders' meeting held on May 24, 2022, when allocating the net profit for each fiscal year, the Company should first offset its losses incurred in previous years, and appropriate a special surplus reserve as required by the applicable authority under the applicable public company rules. After the distribution, the remainder is to be combined with unappropriated earnings in the beginning of the period as accumulated distributable profits, the Board of Directors shall prepare a resolution for the distribution of earnings in accordance with the dividend policy. If all or parts of the distribution were made in cash, it shall be approved by a majority vote cast at a meeting of the Board with two-third 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 shareholders' meeting.

On March 29, 2023 and May 24, 2022, the shareholders' meeting resolved to appropriate the 2022 and 2021 earnings. 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>

(Continued)

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

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:

	<u>2023</u>	<u>2022</u>
Basic earnings (deficits) per share (Diluted earnings (deficits) per share):		
Net income (loss)	\$ <u>(796,944)</u>	<u>874,482</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>(4.20)</u>	<u>4.60</u>

(p) Revenues from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Singapore	\$ 2,448,333	2,694,929
Thailand	2,177,707	2,431,444
Vietnam	2,163,115	2,397,528
Korea	1,981,550	1,727,651
Others	<u>3,857,546</u>	<u>5,654,673</u>
	<u>\$ 12,628,251</u>	<u>14,906,225</u>
Main product/service line		
Single-layer PCB sales	\$ 419,201	478,121
Double-layer PCB sales	3,854,679	4,503,136
Multi-layer PCB sales	8,372,420	9,903,391
Others	27,356	51,456
Less: sales return and allowance	<u>(45,405)</u>	<u>(29,879)</u>
	<u>\$ 12,628,251</u>	<u>14,906,225</u>

(Continued)

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

(ii) Remaining balances of contract

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	\$ 1,522	156	-
Accounts receivable	3,055,286	4,051,340	4,378,017
Less: loss allowance	<u>(55,644)</u>	<u>(99,303)</u>	<u>(47,187)</u>
Total	<u>\$ 3,001,164</u>	<u>3,952,193</u>	<u>4,330,830</u>

(q) Remunerations to employees and directors

According to the amendment of the Company's Articles of Association, which was approved during 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, a maximum of 2% of the profit shall be distributed as remunerations to employees and directors. Employee remuneration may be distributed in the form of shares or cash, and may be allocated to qualified employees of the Company's subsidiaries.

In 2023 and 2022, there were no employee remuneration accrued for both years; while the remuneration to directors amounted to \$0 thousand and \$1,440 thousand, respectively. If there are differences between the actual distribution and estimated amount, they will be treated as changes in accounting estimates, and recognized as gain or loss in the following year. The related information is available on the Market Observation Post System website.

There were no differences between the actual and estimated amounts in 2023 and 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:

	2023	2022
Interest income on bank deposits	<u>\$ 3,124</u>	<u>1,593</u>

(ii) Other income

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

	2023	2022
Income from cancellation of orders	\$ 18,225	26,761
Others	<u>27,746</u>	<u>25,147</u>
	<u>\$ 45,971</u>	<u>51,908</u>

(Continued)

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

(iii) Other gains and losses

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

	<u>2023</u>	<u>2022</u>
Gains (losses) on disposal of property, plant and equipment	\$ 2,637	(25,002)
Net foreign exchange gains	53,660	7,453
Valuation gains (losses) on financial assets or liabilities, net	(8,831)	50,190
Gain on reversal (loss) of impairment	(16,699)	9,619
Gain on lease modifications	-	337
Others	<u>(375)</u>	<u>(112)</u>
	<u>\$ 30,392</u>	<u>42,485</u>

(iv) Finance cost

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

	<u>2023</u>	<u>2022</u>
Interest expense on loans from banks	\$ 308,951	190,756
Interest expense on lease liabilities	4,698	4,139
Less: interest expense capitalized	<u>(33,057)</u>	<u>(33,224)</u>
	<u>\$ 280,592</u>	<u>161,671</u>

(s) Financial instruments

(i) Credit risk

1) Risk exposure

The book value of financial assets represents the maximum risk exposure. The maximum risk exposure amounts were \$3,788,596 thousand and \$4,835,584 thousand as of December 31, 2023 and 2022, respectively.

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 30% and 44% of the total amount of notes and accounts receivable as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the Group's accounts receivable concentrated on three main customers were \$903,481 thousand and \$1,739,782 thousand, respectively.

(Continued)

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

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>
December 31, 2023					
Non-derivative financial liabilities					
Short-term loans	\$ 2,284,359	2,298,567	2,298,567	-	-
Long-term loans	5,931,525	6,304,129	2,629,994	2,286,203	1,387,932
Lease liabilities	139,423	147,107	50,194	40,482	56,431
Accounts payable	1,911,865	1,911,865	1,911,865	-	-
Other payables (including payables for equipment)	731,963	731,963	731,963	-	-
Long-term payable	10,747	10,747	-	4,960	5,787
Derivative financial liabilities					
Other forward contract –					
Inflow	-	(66,068)	(66,068)	-	-
Outflow	1,595	67,663	67,663	-	-
	<u>\$ 11,011,477</u>	<u>11,405,973</u>	<u>7,624,178</u>	<u>2,331,645</u>	<u>1,450,150</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>

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

(Continued)

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

(iii) Currency risk

1) Currency risk exposure

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

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount
Financial assets						
Monetary items						
USD	\$ 88,392	30.58	2,703,283	125,960	30.58	3,851,455
Financial liabilities						
Monetary items						
USD	41,071	30.88	1,268,072	54,558	30.89	1,685,207

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 December 31, 2023 and 2022, would have decreased/increased net profit (loss) before tax for the years ended December 31, 2023 and 2022, by \$72,000 thousand and \$108,000 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, including realized and unrealized, were \$53,660 thousand and \$7,453 thousand, respectively, for the three months the years ended December 31, 2023 and 2022.

(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.

(Continued)

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

If the interest rate had increased / decreased by 0.25%, the Group's net income (loss) would have decreased / increased by \$20,540 thousand and \$21,123 thousand, respectively, for the years ended December 31, 2023 and 2022, 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, 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:

	December 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	\$ 23,521	-	23,521	-	23,521
Financial assets measured at amortized cost					
Cash and cash equivalents	641,929	-	-	-	-
Notes receivables	1,522	-	-	-	-
Accounts receivables	2,999,642	-	-	-	-
Other receivables	104,027	-	-	-	-
Refundable deposits	8,117	-	-	-	-
Other financial assets	9,838	-	-	-	-
Subtotal	<u>3,765,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,788,596</u>	<u>-</u>	<u>23,521</u>	<u>-</u>	<u>23,521</u>

(Continued)

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

	December 31, 2023				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities – current	\$ <u>1,595</u>	<u>-</u>	<u>1,595</u>	<u>-</u>	<u>1,595</u>
Financial liabilities measured at amortized cost					
Short-term loans	2,284,359	-	-	-	-
Long-term loans	5,931,525	-	-	-	-
Lease liabilities	139,423	-	-	-	-
Accounts payable	1,911,865	-	-	-	-
Other payables (including payables for equipment)	731,963	-	-	-	-
Long-term payable	<u>10,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>11,009,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,011,477</u>	<u>-</u>	<u>1,595</u>	<u>-</u>	<u>1,595</u>
	December 31, 2022				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets – current	\$ <u>20,755</u>	<u>-</u>	<u>20,755</u>	<u>-</u>	<u>20,755</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	714,266	-	-	-	-
Notes receivables	156	-	-	-	-
Accounts receivables	3,952,037	-	-	-	-
Other receivables	121,501	-	-	-	-
Refundable deposits	8,312	-	-	-	-
Other financial assets	<u>18,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>4,814,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,835,584</u>	<u>-</u>	<u>20,755</u>	<u>-</u>	<u>20,755</u>

(Continued)

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

	December 31, 2022				Total
	Amount	Fair value			
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities – current	\$ <u>12</u>	-	<u>12</u>	-	<u>12</u>
Financial liabilities measured at amortized cost					
Short-term loans	2,472,991	-	-	-	-
Long-term loans	5,976,283	-	-	-	-
Lease liabilities	152,755	-	-	-	-
Accounts payable	2,083,281	-	-	-	-
Other payables (including payables for equipment)	1,061,941	-	-	-	-
Long-term payable	<u>18,921</u>	-	-	-	-
Subtotal	<u>11,766,172</u>	-	-	-	-
Total	<u>\$ 11,766,184</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>12</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. The present value of 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

(i) Overview

The Group has exposures to the following risks from financial instruments:

1. Credit risk.
2. Liquidity risk.
3. Market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Group's management of risk. Please see other related notes on the consolidated financial statements for quantitative information.

(ii) Risk management framework

The Group's management monitors risk exposure, risk control, and the managing process and ensures appropriate handling to balance the risk and control.

The Group minimizes the risk exposure through derivative financial instruments. The management of the finance department regulates the use of derivative and non-derivative financial instruments in accordance with the Group's policy in consideration of the risks arising from financial instruments such as credit risk, currency risk, and interest rate risk to which the Group is exposed. The Group has no transactions involving financial instruments (including derivative financial instruments) for the purpose of speculation.

The finance department reports the results of derivative financial instruments to the board of directors on a quarterly basis.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank deposits.

(Continued)

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

1) Receivables and other receivables

The finance department and business department have established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes financial statement analysis, external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and need to be approved according to the Group's authorization limit. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

2) Investments

The credit risk exposure of the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating and also subsidiaries were monitored by the Group, therefore there are no significant default risk and significant credit risk.

3) Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. For information on guarantees as of December 31, 2023 and 2022, please refer to note 13.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit line were amounted to \$12,024,110 thousand and \$10,184,035 thousand, respectively.

(Continued)

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

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial assets and financial liabilities, in order to manage market risks. All such transactions are carried out within the scope of the Group's internal control policy.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency New Taiwan dollar (TWD) which is the functional currency of the Company. The functional currency of subsidiaries are the Thai Baht (THB), Ren Min Bi (CNY) and Singapore dollar (SGD). The currencies used in these transactions are the TWD, THB, CNY, SGD and USD.

Interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the THB and the USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(u) Capital management

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

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

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

(Continued)

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

As at December 31, 2023, the Group's capital management strategy was consistent with the year ended at December 31, 2022. The Group has to maintain the debt-to-equity ratio at a certain level according to the criteria set by creditors. The Group's debt-to-equity ratio as at December 31, 2023 and 2022, was as follows:

	December 31, 2023	December 31, 2022
Net liabilities	\$ 11,156,156	11,991,438
Total equity	\$ 6,934,914	8,031,540
Debt-to-equity ratio	160.87 %	149.30 %

The debt-to-equity ratio as of December 31, 2023 and 2022 was within the limit set by creditors.

The quantitative capital management information for APT, a subsidiary of the Company, in the relevant periods are summarized below:

	Unit: thousands of THB	
	December 31, 2023	December 31, 2022
Net liabilities	\$ 11,193,650	13,053,650
Total equity	\$ 8,594,711	8,925,524
Debt-to-equity ratio	130.24 %	146.25 %

APT's debt-to-equity ratio has been maintained within the scope of the loan contracts.

(v) Non-cash investing and financing activities

For the years ended December 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.

Reconciliation of liabilities from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes Acquisition or termination of contracts	Translation effect	December 31, 2023
Long-term loans	\$ 5,976,283	(102,250)	-	57,492	5,931,525
Short-term loans	2,472,991	(211,742)	-	23,110	2,284,359
Lease liabilities	152,755	(50,293)	35,646	1,315	139,423
Total liabilities from financing activities	\$ 8,602,029	(364,285)	35,646	81,917	8,355,307

(Continued)

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

	January 1, 2022	Cash flows	Non-cash changes		December 31, 2022
			Acquisition or termination of contracts	Translation effect	
Long-term loans	\$ 4,118,801	1,508,282	-	349,200	5,976,283
Short-term loans	2,501,866	(197,987)	-	169,112	2,472,991
Lease liabilities	125,444	(46,289)	64,561	9,039	152,755
Total liabilities from financing activities	<u>\$ 6,746,111</u>	<u>1,264,006</u>	<u>64,561</u>	<u>527,351</u>	<u>8,602,029</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 years ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 64,436	50,378
Post-employment benefits	555	303
Other long-term benefits	(12)	5
	<u>\$ 64,979</u>	<u>50,686</u>

(Continued)

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

(8) Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other financial assets			
— non-current:			
Restricted bank deposits	Long-term loans and derivative instruments not used for hedging	\$ 9,838	18,557
Property, plant, and equipment:			
Land	Long-term and short-term loans	392	389
Buildings	Long-term and short-term loans	28,625	31,369
Machinery and equipment	Long-term, short-term loans and electricity guarantee	1,186,044	1,514,838
Total		<u>\$ 1,224,899</u>	<u>1,565,153</u>

(9) Significant commitments and contingencies:

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of property, plant and equipment	\$ 484,686	427,560
Other long-term commitments	<u>27,503</u>	<u>43,658</u>
Total	<u>\$ 512,189</u>	<u>471,218</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Letters of credit	<u>\$ 72,538</u>	<u>34,940</u>

(c) Guarantees provided by banks were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Electricity guarantee	<u>\$ 121,031</u>	<u>119,858</u>

(Continued)

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

(10) Losses due to major disasters:None

(11) Subsequent events:

Based on the actual usage experience of similar assets in the past, the Group decided to revise the estimated useful lives of some of its machinery and equipment beginning on January 1, 2024, with the approval of its board on February 28, 2024, in order to provide reliable and relevant information, resulting in its depreciation expenses in 2024 to reduce by approximately THB 122,000 thousand.

(12) Other:

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

Function Account	2023			2022		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel benefit costs						
Salaries	1,598,512	348,820	1,947,332	1,471,157	316,742	1,787,899
Health insurance	-	1,962	1,962	-	1,797	1,797
Pension	4,425	8,343	12,768	5,438	6,792	12,230
Other personnel expense	166,566	77,595	244,161	145,355	85,195	230,550
Depreciation	1,189,413	127,500	1,316,913	955,334	113,154	1,068,488
Amortization	6,749	18,232	24,981	7,218	11,474	18,692

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 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)										
0	The Company	APT	2	20,712,114 (Note 2)	15,352,427	15,352,427	5,616,169	-	222.37 %	20,712,114 (Note 3)	Y	N	N
1	APT	APS	4	3,858,166 (Note 4)	727,218	637,438	301,573	-	9.23 %	3,858,166 (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 December 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:

Company name	Counterparty	Nature of relationship (note 2)	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remarks
			Purchase /Sale	Amount	Percentage of total purchases (sales) (%)	Credit terms (days)	Unit price	Payment terms	Ending balance of notes and accounts receivable (payable)	Percentage of total notes and accounts receivable (payable) (%)	
Approach Excellence Trading Co., Ltd.	APT	3	Sales	108,061	96.46 %	Note 1	-	-	18,591	90.03	Note 3

Note 1: There were no significant differences between the terms of transactions with related parties and those carried out with other normal clients.

Note 2: 1. Parent company to subsidiary company.
2. Subsidiary company to parent company.
3. Subsidiary company to subsidiary company.

Note 3: Related-party transactions have been eliminated in the preparation of the consolidated financial statements.

- (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.

(Continued)

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 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	3,757,116	3,311,762	151,194	99.60 %	7,685,466	(749,907)	(744,899) Note 2 (Note 4)	
The Company	AET	British Virgin Islands	Supply chain integration	10,000	10,000	1,000	100.00 %	9,743	(58)	634 Note 2 (Note 4)	
APT	APS	Thailand	PCB (printed circuit board) manufacturing and sales	277,485	277,485	32	99.99 %	223,007	1,048	1,048 Note 2 (Note 3)	
APS	APSS	Singapore	PCB sales development	8,195	8,195	402	100.00 %	18,717	5,141	7,875 Note 2 (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 audited by the Group's auditors.

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

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

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 December 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	-	-	-	-	15,118 (RMB3,435)	99.60 %	18,415 (RMB4,184)	30,132 (RMB6,885)	-

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

- (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 audited 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 December 31, 2023 (BS exchange rate RMB:TWD=1:4.3765).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=1:4.4012).

(ii) Limitation on investment in China: None.

(iii) Significant transactions in China: None.

(Continued)

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		11,100,000	5.84 %

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:

(a) General information

The Group has a reportable segment, Thailand, which manufactures and sells PCBs. The Group's reportable segment is a regional business unit. Because each regional business unit requires different technology and marketing strategies, they need to be managed separately. The Group did not allocate income tax expense to reportable segments. Each reportable segment's profit or loss included depreciation expenses, amortization expenses, and all other material non-cash items. The amount reported should be consistent with the report used by the chief operating decision maker. The accounting policies of the operating segments are the same as described in Note (4) significant accounting policies. The Group's operating segments' profits and losses are measured based on the income before income tax, and used as the basis for assessing the segments' performance. Reconciliation and elimination are mainly about elimination between operating segments.

"Others" operating segments of the Group include one company engaging in sales of materials for PCBs and one holding company, both of which have not exceeded the quantitative thresholds to disclose for the years ended December 31, 2023 and 2022.

	December 31, 2023			
	Thailand	Others	Adjustments and eliminations	Consolidated
Revenue:				
Revenue from external customers	\$ 12,570,102	58,149	-	12,628,251
Revenue from transactions with other operating segments	65,073	210,581	(275,654)	-
Total revenue	<u>\$ 12,635,175</u>	<u>268,730</u>	<u>(275,654)</u>	<u>12,628,251</u>
Interest expense	<u>\$ 270,441</u>	<u>10,151</u>	<u>-</u>	<u>280,592</u>
Depreciation and amortization	<u>\$ 1,337,916</u>	<u>3,978</u>	<u>-</u>	<u>1,341,894</u>
Segment's profit or loss	<u>\$ (770,627)</u>	<u>(32,184)</u>	<u>(2,796)</u>	<u>(805,607)</u>
Segment's assets	<u>\$ 17,784,728</u>	<u>179,703</u>	<u>126,639</u>	<u>18,091,070</u>

(Continued)

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

	December 31, 2022			
	Thailand	Others	Adjustments and eliminations	Consolidated
Revenue:				
Revenue from external customers	\$ 14,861,083	46,568	(1,426)	14,906,225
Revenue from transactions with other operating segments	64,761	250,824	(315,585)	-
Total revenue	\$ 14,925,844	297,392	(317,011)	14,906,225
Interest expense	\$ 156,616	5,055	-	161,671
Depreciation and amortization	\$ 1,083,173	4,007	-	1,087,180
Segment's profit or loss	\$ 997,233	(37,824)	(13,770)	945,639
Segment's assets	\$ 19,675,824	250,898	96,256	20,022,978

(b) Product and service information

The Group operates in a single industry: manufacturing and selling printed circuit boards. Hence, the disclosure of business segment information is not required.

(c) Geographic financial information

Export sales revenue by country is based on the billing location of the customer, and non-current assets by location are based on where the assets are located. The information is as follows:

Export sales

Region	2023	2022
Singapore	\$ 2,448,333	2,694,929
Thailand	2,177,707	2,431,444
Vietnam	2,163,115	2,397,528
Korea	1,981,550	1,727,651
Others	3,857,546	5,654,673
Total	\$ 12,628,251	14,906,225

Non-current assets:

Region	December 31, 2023	December 31, 2022
Taiwan	\$ 9,662	12,480
China	5,409	787
Singapore	1,117	1,134
Thailand	11,951,931	11,980,821
Total	\$ 11,968,119	11,995,222

(Continued)

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

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and prepayment for equipment, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Information on major customers

Revenue on major customers for more than 10% of the Group's total revenue are as follows:

	2023
A customer from Thailand segment	\$ <u>4,315,016</u>
	2022
A customer from Thailand segment	\$ <u>4,538,888</u>
B customer from Thailand segment	\$ <u>1,702,523</u>