

**REXON INDUSTRIAL CORP., LTD. AND
SUBSIDIARIES**

Consolidated Financial Statements

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

Address: No.261, Jen Hwa RD, Tali, Taichung City 412,Taiwan (R.O.C.)
Telephone: (04)2491-4141

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Statements of Financial Position	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
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of significant accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	11~33
(7) Related-party transactions	34~35
(8) Pledged assets	35
(9) Significant commitments and contingencies	35
(10) Losses due to major disasters	35
(11) Subsequent events	35
(12) Other	36
(13) Other disclosures	
(a) Information on significant transactions	36~38
(b) Information on investees	38
(c) Information on investment in mainland China	39
(d) Major shareholders	39
(14) Segment information	39

INDEPENDENT Auditors' REVIEW REPORT

To the Board of Directors Rexon Industrial Corp., Ltd.:

Introduction

We have reviewed the accompanying consolidated statements of financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Standards on Review Engagements No. 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$192,189 thousand and NT\$231,316 thousand, both constituting 3% of consolidated total assets as of March 31, 2023 and 2022, respectively, total liabilities amounting to NT\$38,612 thousand and NT\$60,012 thousand, both constituting 1% of consolidated total liabilities at March 31, 2023 and 2022, respectively, and total comprehensive income(loss) amounting to NT\$(12,981) thousand and NT\$(28,139) thousand, constituting 17% and 103% of consolidated total comprehensive income (loss) for the three months ended March 31, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Rexon Industrial Corp., Ltd. and its subsidiaries in its investee company of NT\$16,439 thousand and NT\$16,719 thousand as of March 31, 2023 and 2022, respectively, and its equity in net earnings on this investee company of NT\$19 thousand and NT\$7 thousand for the three months ended March 31, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Shyh-Huar Kuo and Tsu-Hsin Chang.

KPMG

Taipei, Taiwan (Republic of China)

May 9, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted standards as of March 31, 2023 and 2022

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

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

(Expressed in thousands of New Taiwan Dollar)

		March 31, 2023		December 31, 2022		March 31, 2022				March 31, 2023		December 31, 2022		March 31, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (note 6(a))	\$ 1,729,060	24	1,970,759	25	2,758,975	31	2100	Short-term borrowings (note 6(j) and 8)	\$ 762,037	11	801,417	10	854,061	9
1110	Current financial assets at fair value through profit or loss	96	-	96	-	96	-	2130	Current contract liabilities (note 6(s))	36,350	-	38,713	-	533,614	6
1150	Notes receivable, net (note 6(b))	672	-	287	-	370	-	2150	Notes payable	274,481	4	436,108	6	375,773	4
1160	Notes receivable due from related parties, net (note 6(b) and 7)	21,080	-	31,722	-	23,413	-	2160	Notes payable to related parties (note 7)	34	-	94	-	83	-
1170	Accounts receivable, net (note 6(b))	410,303	6	737,714	10	717,260	8	2170	Accounts payable	517,538	7	607,955	8	918,912	10
1180	Accounts receivable due from related parties, net (note 6(b) and 7)	2,731	-	8,794	-	4,808	-	2216	Dividends payable (note 6(q))	-	-	-	-	544,420	6
1200	Other receivables, net (note 6(c))	3,046	-	277	-	3,873	-	2200	Other payables	542,331	8	595,537	8	606,330	7
1220	Current tax assets	22,403	-	18,332	-	18	-	2220	Other payables to related parties (note 7)	19	-	6	-	5	-
130X	Inventories (note 6(d))	571,852	8	582,816	8	1,330,143	15	2230	Current tax liabilities	-	-	-	-	172,236	2
1479	Other current assets (note 6(i))	98,991	2	88,463	1	103,721	1	2250	Current provisions (note 6(n))	161,974	2	201,389	3	162,662	2
		<u>2,860,234</u>	<u>40</u>	<u>3,439,260</u>	<u>44</u>	<u>4,942,677</u>	<u>55</u>	2280	Current lease liabilities (note 6(m))	8,731	-	10,501	-	30,686	-
								2320	Long-term borrowing, current portion (note 6(l) and 8)	485,431	7	413,033	5	192,443	2
								2399	Other current liabilities (note 6(k))	340,341	5	477,632	6	170,317	2
										<u>3,129,267</u>	<u>44</u>	<u>3,582,385</u>	<u>46</u>	<u>4,561,542</u>	<u>50</u>
Non-current assets:															
1550	Investments accounted for using equity method, net (note 6(e))	16,439	-	16,420	-	16,719	-	2540	Long-term borrowings (note 6(l) and 8)	555,458	8	637,554	9	766,667	9
1600	Property, plant and equipment (note 6(f) and 8)	3,467,492	48	3,119,127	40	3,281,414	36	2570	Deferred tax liabilities	-	-	-	-	6,491	-
1755	Right-of-use assets (note 6(g))	85,127	1	88,796	1	115,618	1	2580	Non-current lease liabilities (note 6(m))	22,875	-	24,691	-	29,108	-
1780	Intangible assets (note 6(h))	68,937	1	66,904	1	61,980	1			<u>578,333</u>	<u>8</u>	<u>662,245</u>	<u>9</u>	<u>802,266</u>	<u>9</u>
1840	Deferred tax assets	166,014	3	167,970	2	77,522	1		Total liabilities	<u>3,707,600</u>	<u>52</u>	<u>4,244,630</u>	<u>55</u>	<u>5,363,808</u>	<u>59</u>
1920	Guarantee deposits paid	3,526	-	1,926	-	7,817	-	Equity attributable to owners of parent: (note 6(q))							
1975	Net defined benefit asset, non-current	205,422	3	206,005	3	94,392	1	3100	Ordinary shares	1,814,735	25	1,814,735	24	1,814,735	20
1990	Other non-current assets (note 6(i))	269,199	4	647,549	9	444,209	5	3200	Capital surplus	586	-	586	-	586	-
		<u>4,282,156</u>	<u>60</u>	<u>4,314,697</u>	<u>56</u>	<u>4,099,671</u>	<u>45</u>	3300	Retained earnings	1,736,139	24	1,812,259	23	1,977,235	22
								3400	Other equity	(142,173)	(1)	(143,923)	(2)	(139,230)	(1)
									Total equity attributable to owners of parent:	<u>3,409,287</u>	<u>48</u>	<u>3,483,657</u>	<u>45</u>	<u>3,653,326</u>	<u>41</u>
								36XX	Non-controlling interests	<u>25,503</u>	<u>-</u>	<u>25,670</u>	<u>-</u>	<u>25,214</u>	<u>-</u>
									Total equity	<u>3,434,790</u>	<u>48</u>	<u>3,509,327</u>	<u>45</u>	<u>3,678,540</u>	<u>41</u>
Total assets		<u>\$ 7,142,390</u>	<u>100</u>	<u>7,753,957</u>	<u>100</u>	<u>9,042,348</u>	<u>100</u>	Total liabilities and equity		<u>\$ 7,142,390</u>	<u>100</u>	<u>7,753,957</u>	<u>100</u>	<u>9,042,348</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2023 and 2022
(Expressed in thousands of New Taiwan Dollar , except for earnings per Share)

		<u>For the three months ended March 31</u>			
		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue, net (note 6(s) and 7)	588,693	100	1,634,845	100
5000	Operating costs (note 6(d) and (o))	550,574	94	1,549,979	95
	Gross profit from operations	<u>38,119</u>	<u>6</u>	<u>84,866</u>	<u>5</u>
6000	Operating expenses (note 6(d) and (o)):				
6100	Selling expenses	42,260	7	72,177	4
6200	Administrative expenses	41,228	7	47,137	3
6300	Research and development expenses	32,367	5	41,359	3
		<u>115,855</u>	<u>19</u>	<u>160,673</u>	<u>10</u>
	Net operating (loss) income	<u>(77,736)</u>	<u>(13)</u>	<u>(75,807)</u>	<u>(5)</u>
7000	Non-operating income and expenses:				
7100	Interest income (note 6(u))	538	-	255	-
7010	Other income (note 6(u))	13,870	2	4,267	-
7020	Other gains and losses, net (note 6(u))	(21,804)	(4)	11,330	1
7050	Finance costs, net (note 6(m) and (u))	(7,356)	(1)	(4,447)	-
7060	Share of profit of associates accounted for using equity method (note 6(e))	19	-	7	-
		<u>(14,733)</u>	<u>(3)</u>	<u>11,412</u>	<u>1</u>
7900	Loss before income tax	(92,469)	(16)	(64,395)	(4)
7950	Income tax benefit (note 6(p))	(16,229)	(3)	(12,824)	(1)
8200	Loss	<u>(76,240)</u>	<u>(13)</u>	<u>(51,571)</u>	<u>(3)</u>
8300	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation (note 6(q))	2,140	-	30,116	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss(note 6(p))	(437)	-	(5,988)	(1)
		<u>1,703</u>	<u>-</u>	<u>24,128</u>	<u>1</u>
8300	Other comprehensive income (after tax)	<u>1,703</u>	<u>-</u>	<u>24,128</u>	<u>1</u>
8500	Comprehensive income	<u>\$ (74,537)</u>	<u>(13)</u>	<u>(27,443)</u>	<u>(2)</u>
	Loss attributable to:				
8610	Owners of parent	\$ (76,120)	(13)	(51,295)	(3)
8620	Non-controlling interests	(120)	-	(276)	-
		<u>\$ (76,240)</u>	<u>(13)</u>	<u>(51,571)</u>	<u>(3)</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ (74,370)	(13)	(27,343)	(2)
8720	Non-controlling interests	(167)	-	(100)	-
		<u>\$ (74,537)</u>	<u>(13)</u>	<u>(27,443)</u>	<u>(2)</u>
		-	-	-	-
	Earnings per share (NT dollars) (note 6 (r))				
9750	Basic earnings (loss) per share	<u>\$ (0.42)</u>		<u>(0.28)</u>	
9850	Diluted earnings (loss) per share	<u>\$ (0.42)</u>		<u>(0.28)</u>	

See accompanying notes to consolidated financial statements.

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollar)

Equity attributable to owners of parent

	Share capital		Retained earnings				Other equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total other equity interest			
Balance at January 1, 2022	\$ 1,814,735	586	363,103	177,226	2,032,621	2,572,950	(163,182)	(163,182)	4,225,089	25,314	4,250,403
Appropriation and distribution of retained earnings:											
Cash dividends of ordinary share	-	-	-	-	(544,420)	(544,420)	-	-	(544,420)	-	(544,420)
Loss for the period	-	-	-	-	(51,295)	(51,295)	-	-	(51,295)	(276)	(51,571)
Other comprehensive income for the period	-	-	-	-	-	-	23,952	23,952	23,952	176	24,128
Comprehensive income	-	-	-	-	(51,295)	(51,295)	23,952	23,952	(27,343)	(100)	(27,443)
Balance at March 31, 2022	\$ 1,814,735	586	363,103	177,226	1,436,906	1,977,235	(139,230)	(139,230)	3,653,326	25,214	3,678,540
Balance at January 1, 2023	\$ 1,814,735	586	475,923	163,182	1,173,154	1,812,259	(143,923)	(143,923)	3,483,657	25,670	3,509,327
Loss for the period	-	-	-	-	(76,120)	(76,120)	-	-	(76,120)	(120)	(76,240)
Other comprehensive income for the period	-	-	-	-	-	-	1,750	1,750	1,750	(47)	1,703
Comprehensive income	-	-	-	-	(76,120)	(76,120)	1,750	1,750	(74,370)	(167)	(74,537)
Balance at March 31, 2023	\$ 1,814,735	586	475,923	163,182	1,097,034	1,736,139	(142,173)	(142,173)	3,409,287	25,503	3,434,790

See accompanying notes to consolidated financial statements.

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar)

	For the three months ended March 31	
	2023	2022
Cash flows from operating activities:		
Loss before tax	\$ (92,469)	(64,395)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	87,820	85,593
Amortization expenses	5,045	3,735
Interest expenses	7,356	4,447
Interest income	(538)	(255)
Shares of profit of associates accounted for using equity method	(19)	(7)
Losses on disposal of property, plant and equipment	950	876
Total adjustments to reconcile profit	<u>100,614</u>	<u>94,389</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in notes receivable	(385)	1,906
Decrease in notes receivable due from related parties	10,642	4,130
Decrease in accounts receivable	327,411	999,853
Decrease in accounts receivable due from related parties	6,063	6,270
Increase in other receivables	(2,769)	(3,733)
Decrease in inventories	10,964	645,132
(Increase) decrease in other current assets	(10,528)	106,001
Decrease (increase) in net defined benefit assets	583	(3,727)
Decrease in other operating assets	470	499
Total changes in operating assets	<u>342,451</u>	<u>1,756,331</u>
Changes in operating liabilities:		
(Decrease) in contract liabilities	(2,363)	(9,541)
(Decrease) in notes payable	(161,627)	(1,015,695)
(Decrease) in notes payable to related parties	(60)	(3,716)
(Decrease) in accounts payable	(90,417)	(2,590,773)
(Decrease) in other payable	(52,976)	(111,182)
Increase (decrease) in other payable to related parties	13	(12)
(Decrease) increase in other current liabilities	(176,706)	14,126
Total changes in operating liabilities	<u>(484,136)</u>	<u>(3,716,793)</u>
Total changes in operating assets and liabilities	<u>(141,685)</u>	<u>(1,960,462)</u>
Total adjustments	<u>(41,071)</u>	<u>(1,866,073)</u>
Cash outflow generated from operations	(133,540)	(1,930,468)
Interest received	538	255
Interest paid	(7,323)	(4,377)
Income taxes refund	13,677	-
Net cash flows from (used in) operating activities	<u>(126,648)</u>	<u>(1,934,590)</u>
Cash flows used in investing activities:		
Acquisition of property, plant and equipment	(31,664)	(56,492)
Proceeds from disposal of property, plant and equipment	1,030	1,445
(Increase) decrease in refundable deposits	(1,600)	1,236
Acquisition of intangible assets	(7,069)	(3,213)
Increase in prepayments for business facilities	(22,198)	(142,358)
Net cash flows used in investing activities	<u>(61,501)</u>	<u>(199,382)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	600,000	747,502
Decrease in short-term borrowings	(639,774)	(700,000)
Increase from long-term borrowings	53,175	300,000
Repayments of long-term borrowings	(64,167)	(29,404)
Payment of lease liabilities	(3,586)	(8,759)
Net cash flows from (used in) financing activities	<u>(54,352)</u>	<u>309,339</u>
Effect of exchange rate changes on cash and cash equivalents	<u>802</u>	<u>8,889</u>
Net decrease in cash and cash equivalents	<u>(241,699)</u>	<u>(1,815,744)</u>
Cash and cash equivalents at beginning of period	<u>1,970,759</u>	<u>4,574,719</u>
Cash and cash equivalents at end of period	<u>\$ 1,729,060</u>	<u>2,758,975</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted standards as of March 31, 2023 and 2022

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

(expressed in thousands of New Taiwan Dollar, unless otherwise specified)

(1) Company history

Rexon Industrial Corp., Ltd. (the “Company”). was incorporated on April 30, 1973 and registered under the Ministry of Economic Affairs, R.O.C. The address of the company’s registered office is No.261, Renhua Rd., Dali Dist., Taichung City 412, and Taiwan (R.O.C.). The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) on February 4, 1995. The company’s and its subsidiaries (together referred to as the “Group”) is in the business of manufacturing and selling drills, woodworking tools and fitness equipments.

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

These consolidated financial statements for the three months ended March 31, 2023 and 2022 were authorized for issuance by the Board of Directors on May 9, 2023.

(3) New standards, amendments and interpretations adopted

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

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

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

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

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant 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 as "the Regulations") and the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Power Tool Specialists Inc. (P.T.S.)	Merchandise trading	96 %	96 %	96 %	Note 1
The Company	Gold Item Group Ltd.(Gold Item)	Investing and holding	100 %	100 %	100 %	
The Company	Rexon Technology Corp., Ltd. (Rexon Tech)	Manufacture and sale of electric components	82.87 %	82.87 %	82.87 %	Note 1
Gold Item	Gold Tech Group Ltd.	Investing and holding	100 %	100 %	100 %	
Gold Tech Group Ltd.	Tongxiang Rexon Industrial Co.,Ltd.(Tongxiang Rexon)	Manufacture of drills, woodworking tools and fitness equipment	100 %	100 %	100 %	

Note 1: The subsidiaries, P.T.S. and Rexon Tech, are non-significant subsidiaries and their financial statements have not been reviewed.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Employee benefits

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

(d) Income taxes

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

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period and allocated to current and deferred taxes based on its proportionate size.

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

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

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

In the preparation of the consolidated financial statements, the major sources of significant accounting judgments and estimation uncertainty are consistent with Note 5 of the consolidated financial statements for the year ended December 31, 2022.

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

(a) Judgment of whether the Group has substantive control over its investees

The Group holds 16% of the outstanding voting shares of Fine Clear Corp., Ltd. and is the single largest shareholder of the investee. Although the remaining 84% of Fine Clear Corp., Ltd.’s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Fine Clear Corp., Ltd.’s directors, and it also cannot obtain more than half of the voting rights at a shareholders’ meeting. Therefore, it is determined that the Group has significant influence on Fine Clear Corp., Ltd.

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Petty cash and cash on hand	\$ 1,523	1,651	1,029
Checking and demand deposits	1,724,492	1,969,108	2,757,946
Time deposits	<u>3,045</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 1,729,060</u>	<u>1,970,759</u>	<u>2,758,975</u>

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) **Notes and accounts receivables (include related party)**

	March 31, 2023	December 31, 2022	March 31, 2022
Notes receivable from operating activities \$	672	287	370
Notes receivable from operating activities-related parties	21,080	31,722	23,413
Less: Loss allowance	-	-	-
	<u>\$ 21,752</u>	<u>32,009</u>	<u>23,783</u>
Accounts receivable-measured at amortized cost	\$ 411,906	739,317	718,863
Accounts receivable from related parties-measured at amortized cost	2,731	8,794	4,808
Less: Loss allowance	(1,603)	(1,603)	(1,603)
	<u>\$ 413,034</u>	<u>746,508</u>	<u>722,068</u>

- (i) 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, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	March 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 360,535	0.04%	139
1 to 90 days past due	75,847	1.92%	1,460
91 to 180 days past due	7	63.73%	4
181 to 360 days past due	-	-	-
Over 360 days past due	-	-	-
Total	<u>\$ 436,389</u>		<u>1,603</u>

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 645,894	0.04%	273
1 to 90 days past due	134,225	0.99%	1,329
91 to 180 days past due	-	-	-
181 to 360 days past due	-	-	-
Over 360 days past due	1	100%	1
Total	\$ 780,120		1,603

	March 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 537,573	0.06%	330
1 to 90 days past due	207,607	0.07%	136
91 to 180 days past due	2,273	50%	1,136
181 to 360 days past due	-	-	-
Over 360 days past due	1	100%	1
Total	\$ 747,454		1,603

(ii) The movement in the allowance for notes and accounts receivables were as follows:

	2023	2022
Balance at January 1 (which is balance at March 31)	\$ 1,603	1,603

(iii) None of the receivables was pledged as collateral as of March 31, 2023, December 31, 2022 and March 31, 2022.

(c) **Other receivables**

	March 31, 2023	December 31, 2022	March 31, 2022
Other receivables	\$ 14,293	11,524	15,120
Less: Loss allowance	(11,247)	(11,247)	(11,247)
	\$ 3,046	277	3,873

(i) As of March 31, 2023, December 31, 2022 and March 31, 2022, there are no other receivables which are past due but not impaired.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) The movement in the allowance for other receivables was as follows:

	<u>2023</u>	<u>2022</u>
Balance on January 1 (which is balance at March 31)	\$ <u>11,247</u>	<u>11,247</u>

(d) **Inventories**

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Finished goods	\$ 196,777	156,348	275,338
Work in progress	46,188	52,493	205,468
Materials	164,965	163,768	225,081
Parts	158,636	204,873	614,627
Merchandise	<u>5,286</u>	<u>5,334</u>	<u>9,629</u>
	<u>\$ 571,852</u>	<u>582,816</u>	<u>1,330,143</u>

Details of inventory related losses (profit) were as follows:

	<u>For the three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Inventory scrap loss	140	2,475
Revenue from sale of scraps	<u>(1,578)</u>	<u>(893)</u>
	<u>\$ (1,438)</u>	<u>1,582</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, inventories were not pledged as collateral.

(e) **Investments accounted for using equity method**

A summary of the Group's financial information for investments accounted for using equity method at the reporting date is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Associates	\$ <u>16,439</u>	<u>16,420</u>	<u>16,719</u>

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Associates

Affiliated company's information:

<u>Name of Associates</u>	<u>Nature of relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>		
			<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Fine Clear Corp., Ltd.	Sale of pneumatic nail gun and accessories, which is the Group's investment	Taiwan	16 %	16 %	16 %

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Carrying amount of individually insignificant associates' equity	\$ <u>16,439</u>	<u>16,420</u>	<u>16,719</u>
	<u>For the three months ended March 31</u>		
	<u>2023</u>	<u>2022</u>	
Attributable to the Group:			
Profit from continuing operations	\$ 19	7	
Other comprehensive income	-	-	
Comprehensive income	<u>\$ 19</u>	<u>7</u>	

- (ii) As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group did not provide any investments accounted for using the equity method as collateral for its loans.
- (iii) Investments were accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) **Property, plant and equipment**

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the three months ended March 31, 2023, December 31, 2022 and March 31, 2022, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Mold and tooling equipment</u>	<u>Office equipment and other facilities</u>	<u>Construction in Progress</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2023	\$ 1,141,147	2,236,235	845,703	857,009	166,666	-	5,246,760
Additions	-	21,161	931	9,218	91	-	31,401
Disposal	-	-	(2,008)	(2,996)	(1,151)	-	(6,155)
Reclassification	-	394,660	2,083	3,335	-	-	400,078
Effect of movements in exchange rates	(25)	3,193	695	495	15	-	4,373
Balance on March 31, 2023	<u>\$ 1,141,122</u>	<u>2,655,249</u>	<u>847,404</u>	<u>867,061</u>	<u>165,621</u>	<u>-</u>	<u>5,676,457</u>
Balance on January 1, 2022	\$ 1,139,930	2,165,757	811,116	791,094	177,288	-	5,085,185
Additions	-	7,045	4,761	6,374	1,112	-	19,292
Disposal	-	-	(6,120)	(87)	(7,659)	-	(13,866)
Reclassification	-	-	32,256	15,020	1,500	-	48,776
Effect of movements in exchange rates	90	28,214	5,489	3,503	873	-	38,169
Balance on March 31, 2022	<u>\$ 1,140,020</u>	<u>2,201,016</u>	<u>847,502</u>	<u>815,904</u>	<u>173,114</u>	<u>-</u>	<u>5,177,556</u>
Depreciation and impairment loss:							
Balance on January 1, 2023	\$ -	980,446	400,913	626,023	120,251	-	2,127,633
Depreciation	-	31,537	25,385	23,412	3,552	-	83,886
Disposal	-	-	(849)	(2,274)	(1,052)	-	(4,175)
Effect of movements in exchange rates	-	936	396	291	(2)	-	1,621
Balance on March 31, 2023	<u>\$ -</u>	<u>1,012,919</u>	<u>425,845</u>	<u>647,452</u>	<u>122,749</u>	<u>-</u>	<u>2,208,965</u>
Balance on January 1, 2022	\$ -	866,637	305,252	528,974	117,669	-	1,818,532
Depreciation	-	26,618	25,257	20,699	3,894	-	76,468
Disposal	-	-	(5,047)	(72)	(6,426)	-	(11,545)
Effect of movements in exchange rates	-	7,379	2,702	1,844	762	-	12,687
Balance on March 31, 2022	<u>\$ -</u>	<u>900,634</u>	<u>328,164</u>	<u>551,445</u>	<u>115,899</u>	<u>-</u>	<u>1,896,142</u>
Carrying amounts:							
Balance on January 1, 2023	<u>\$ 1,141,147</u>	<u>1,255,789</u>	<u>444,790</u>	<u>230,986</u>	<u>46,415</u>	<u>-</u>	<u>3,119,127</u>
Balance on March 31, 2023	<u>\$ 1,141,122</u>	<u>1,642,330</u>	<u>421,559</u>	<u>219,609</u>	<u>42,872</u>	<u>-</u>	<u>3,467,492</u>
Balance on January 1, 2022	<u>\$ 1,139,930</u>	<u>1,299,120</u>	<u>505,864</u>	<u>262,120</u>	<u>59,619</u>	<u>-</u>	<u>3,266,653</u>
Balance on March 31, 2022	<u>\$ 1,140,020</u>	<u>1,300,382</u>	<u>519,338</u>	<u>264,459</u>	<u>57,215</u>	<u>-</u>	<u>3,281,414</u>

(i) In response to the need for expansion in the future, the Group bought the farmland near to its factory, costing \$316,060 thousand, but the ownership of the land is temporarily not allowed to be transferred to the Group because the farmland is legally for agricultural purpose. Therefore, the farmland now is registered in the name of a shareholder who has the identity of natural person and has pledged to the Group for security concerns.

(ii) Gain or losses of disposal, please refer to Note 6(u).

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As of March 31, 2023, December 31, 2022 and March 31, 2022, property, plant and equipment of the Group was pledged as collateral for long-term loans; please refer to note 8.

(g) Right-of-use assets

The Group leases many assets including land, buildings and vehicles. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 87,243	14,799	20,078	122,120
Reductions	-	(14,799)	(382)	(15,181)
Effect of movement in exchange rates	<u>293</u>	<u>-</u>	<u>-</u>	<u>293</u>
Balance at March 31, 2023	<u>\$ 87,536</u>	<u>-</u>	<u>19,696</u>	<u>107,232</u>
Balance at January 1, 2022	\$ 86,329	51,627	20,899	158,855
Effect of movement in exchange rates	<u>2,255</u>	<u>-</u>	<u>-</u>	<u>2,255</u>
Balance at March 31, 2022	<u>\$ 88,584</u>	<u>51,627</u>	<u>20,899</u>	<u>161,110</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2023	\$ 10,284	13,566	9,474	33,324
Depreciation for the period	1,037	1,233	1,664	3,934
Reductions	-	(14,799)	(382)	(15,181)
Effect of movement in exchange rates	<u>28</u>	<u>-</u>	<u>-</u>	<u>28</u>
Balance at March 31, 2023	<u>\$ 11,349</u>	<u>-</u>	<u>10,756</u>	<u>22,105</u>
Balance at January 1, 2022	\$ 6,076	22,898	7,231	36,205
Depreciation for the period	1,038	6,453	1,634	9,125
Effect of movement in exchange rates	<u>162</u>	<u>-</u>	<u>-</u>	<u>162</u>
Balance at March 31, 2022	<u>\$ 7,276</u>	<u>29,351</u>	<u>8,865</u>	<u>45,492</u>
Carrying amount:				
Balance at January 1, 2023	<u>\$ 76,959</u>	<u>1,233</u>	<u>10,604</u>	<u>88,796</u>
Balance at March 31, 2023	<u>\$ 76,187</u>	<u>-</u>	<u>8,940</u>	<u>85,127</u>
Balance at January 1, 2022	<u>\$ 80,253</u>	<u>28,729</u>	<u>13,668</u>	<u>122,650</u>
Balance at March 31, 2022	<u>\$ 81,308</u>	<u>22,276</u>	<u>12,034</u>	<u>115,618</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, the right-of-use assets of the Group were not pledged as collateral.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of the Group for the three months ended March 31, 2023 and 2022, were as follows:

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
Costs:			
Balance at January 1, 2023	\$ 43,293	162,276	205,569
Additions	-	7,069	7,069
Reductions	-	(2,077)	(2,077)
Effect of movement in exchange rates	-	38	38
Balance at March 31, 2023	<u>\$ 43,293</u>	<u>167,306</u>	<u>210,599</u>
Balance at January 1, 2022	\$ 43,293	141,692	184,985
Additions	-	3,213	3,213
Reductions	-	(1,949)	(1,949)
Effect of movement in exchange rates	-	283	283
Balance at March 31, 2022	<u>\$ 43,293</u>	<u>143,239</u>	<u>186,532</u>
Amortization and impairment Loss:			
Balance at January 1, 2023	\$ -	138,665	138,665
Amortization for the period	-	5,045	5,045
Reductions	-	(2,077)	(2,077)
Effect of movement in exchange rates	-	29	29
Balance at March 31, 2023	<u>\$ -</u>	<u>141,662</u>	<u>141,662</u>
Balance at January 1, 2022	\$ -	122,586	122,586
Amortization for the period	-	3,735	3,735
Reductions	-	(1,949)	(1,949)
Effect of movement in exchange rates	-	180	180
Balance at March 31, 2022	<u>\$ -</u>	<u>124,552</u>	<u>124,552</u>
Carrying value:			
Balance at January 1, 2023	<u>\$ 43,293</u>	<u>23,611</u>	<u>66,904</u>
Balance at March 31, 2023	<u>\$ 43,293</u>	<u>25,644</u>	<u>68,937</u>
Balance at January 1, 2022	<u>\$ 43,293</u>	<u>19,106</u>	<u>62,399</u>
Balance at March 31, 2022	<u>\$ 43,293</u>	<u>18,687</u>	<u>61,980</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, the intangible assets of the Group were not pledged as collateral.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) **Other current assets and other non-current assets**

The details of other current assets and other non-current assets were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other current assets:			
Prepayments	\$ 56,117	39,224	76,346
Business tax receivables	28,946	35,379	17,040
Others	<u>13,928</u>	<u>13,860</u>	<u>10,335</u>
	<u>\$ 98,991</u>	<u>88,463</u>	<u>103,721</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other non-current assets:			
Prepayments for equipment	\$ 265,030	642,910	438,091
Others	<u>4,169</u>	<u>4,639</u>	<u>6,118</u>
	<u>\$ 269,199</u>	<u>647,549</u>	<u>444,209</u>

(j) **Short-term borrowings**

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unsecured bank loans	\$ 500,000	500,000	704,000
Secured bank loans	<u>262,037</u>	<u>301,417</u>	<u>150,061</u>
	<u>\$ 762,037</u>	<u>801,417</u>	<u>854,061</u>
Unused short-term credit lines	<u>\$ 3,251,046</u>	<u>3,389,004</u>	<u>3,160,732</u>
Range of interest rate	<u>1.55%~4.785%</u>	<u>1.41%~4.785%</u>	<u>0.7%~4.785%</u>

(i) **Additional short-term borrowings and repayments**

For the three months ended March 31, 2023 and 2022, the Group had the additional short-term borrowings amounting to \$600,000 thousand and \$747,502 thousand, with a range of interest rate 1.675%~4.785% and 0.75%~4.785%, maturing in a range from April, 2023 to September, 2023 and April, 2022 to March, 2023, and the repayments were \$639,774 thousand and \$700,000 thousand, respectively.

(ii) **Collateral for short-term borrowings**

For the collateral for short-term borrowings, please refer to note 8.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) **Other current liabilities**

The details of other current liabilities were summarized as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Advance receipts	\$ 3,566	3,566	3,566
Temporary receipt	331,616	457,393	145,566
Others	5,159	16,673	21,185
	<u>\$ 340,341</u>	<u>477,632</u>	<u>170,317</u>

Temporary receipt is mainly received from cancellation payment and mold sharing payment.

(l) **Long-term borrowings**

The details of long-term borrowings were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	\$ 221,047	232,253	15,777
Secured bank loans	819,842	818,334	943,333
Less : current portion	(485,431)	(413,033)	(192,443)
Total	<u>\$ 555,458</u>	<u>637,554</u>	<u>766,667</u>
Unused long-term credit lines	<u>\$ 405,000</u>	<u>170,000</u>	<u>170,000</u>
Range of interest rate	<u>1.07%~5.24%</u>	<u>0.95%~5.24%</u>	<u>1.03%~2.21%</u>

(i) Additional long-term borrowings and repayments

For the three months ended March 31, 2023 and 2022, the Group had the additional long-term borrowings amounting to \$53,175 thousand and \$300,000 thousand, with a range of interest rate 4.35% and 1.03%, maturing in range from April, 2024 to March, 2026 and January, 2025 and the repayments were \$64,167 thousand and \$29,404 thousand, respectively.

(ii) Collateral for long-term borrowings

For the collateral for long-term borrowings, please refer to note 8.

(m) **Lease liabilities**

	March 31, 2023	December 31, 2022	March 31, 2022
Current	<u>\$ 8,731</u>	<u>10,501</u>	<u>30,686</u>
Non-current	<u>\$ 22,875</u>	<u>24,691</u>	<u>29,108</u>

For the maturity analysis, please refer to note 6(v).

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the three months ended	
	March 31	
	2023	2022
Interest expense on lease liabilities	\$ 87	161

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

	For the three months ended	
	March 31	
	2023	2022
Total cash outflow for leases	\$ 3,673	8,920

The lease period for the Group's lease of land, buildings and vehicles is two to ten years.

(n) **Provisions**

	Warranties
Balance at January 1, 2023	\$ 201,389
Provisions made during the period	5,350
Provisions used during the period	(44,765)
Balance at March 31, 2023	\$ 161,974
Balance at January 1, 2022	\$ 162,599
Provisions made during the period	17,307
Provisions used during the period	(17,244)
Balance at March 31, 2022	\$ 162,662

The provision for warranties relates mainly to automatic facilities and fitness equipment sold during the period ended March 31, 2023 and 2022. The provision is based on estimates made from historical defect rate associated with similar products and services. The Group expects to settle the liability over the next two quarters.

(o) **Employee benefits**

(i) Defined benefit plans

In prior fiscal year, there was no material volatility of the market, reimbursement and settlement or other material one-time events. As a result, pension cost in the accompanying interim financial statements is measured and disclosed as of December 31, 2022 and 2021.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The details of the Group's expenses were as follows:

	For the three months ended	
	March 31	
	2023	2022
Operating costs	537	898
Selling expenses	32	147
Administrative expenses	95	247
Research and development expenses	143	260
Total	807	1,552

(ii) Defined contribution plans

The Group's pension expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	For the three months ended	
	March 31	
	2023	2022
Operating costs	2,882	5,724
Selling expenses	247	302
Administrative expenses	626	823
Research and development expenses	823	1,040
Total	4,578	7,889

Except for the Company and Rexion Technology Corp., Ltd., other subsidiaries adopted the defined contribution method under their local law, and accordingly, the pension costs were \$1,282 thousand and \$1,352 thousand for the three months ended March 31, 2023 and 2022.

(p) **Income taxes**

The details of the Group's income tax expenses were as follows:

	For the three months ended	
	March 31	
	2023	2022
Current tax (benefit) expense		
Current period	\$ (19,988)	(13,509)
Adjustment for prior periods	2,240	-
	(17,748)	(13,509)
Deferred tax expense		
Origination and reversal of temporary differences	1,519	685
Income tax benefit	\$ (16,229)	(12,824)

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts of income tax recognized directly in other comprehensive income for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended	
	March 31	
	2023	2022
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	(437)	(5,988)

The income tax returns of the Company and Rexon Tech. for the years through 2020 were assessed and approved by the tax authorities.

(q) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to March 31, 2023 and 2022. For the related information, please refer to note 6 (r) of the consolidated financial statements for the year ended December 31, 2022.

(i) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company shall first take into consideration its current and future development plan, investment environment, capital requirement, the domestic and global competition, as well as the long-term interests of stockholders in determining the stock or cash dividends to be paid. The dividends appropriated for distribution shall not be less than 20% of the current and prior-period earnings that remain undistributed. The cash dividends shall not be less than 20% of total dividends.

1) Special reserve

In accordance with the requirement of Financial Supervisory Commission, a portion of earnings shall be allocated as special earnings reserve during earnings distribution. The special earnings reserve was distributed from the current undistributed earnings, which was income after income tax plus other items, and undistributed earnings of prior period. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve and does not qualify for earnings distribution to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the amounts of such special reserves were \$163,182 thousand, \$163,182 thousand and \$177,226 thousand, respectively.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Earnings distribution

The amount of cash dividends on appropriations of earnings for 2022 and 2021 had been approved in the board meeting on February 23, 2023 and March 15, 2022, respectively. These earnings were appropriated as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ <u> </u>	<u>-</u>	\$ <u> 3.0</u>	<u>544,420</u>

(ii) OCI accumulated in reserves, net of tax

	<u>Exchange differences on translation of foreign financial statements</u>
Balance at January 1, 2023	\$ (143,923)
Exchange differences on foreign operations	<u>1,750</u>
Balance at March 31, 2023	<u>\$ (142,173)</u>
Balance at January 1, 2022	\$ (163,182)
Exchange differences on oprations foreign	<u>23,952</u>
Balance at March 31, 2022	<u>\$ (139,230)</u>

(r) **Loss per share**

	<u>For the three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Basic loss per share		
Net (loss) attributable to ordinary shareholders of the Company	\$ <u>(76,120)</u>	<u>(51,295)</u>
Weighted-average number of ordinary shares	<u>181,473</u>	<u>181,473</u>
	<u>\$ (0.42)</u>	<u>(0.28)</u>
Diluted loss per share		
Net loss attributable to ordinary shaleholders of the Company	\$ <u>(76,120)</u>	<u>(51,295)</u>
Weighted-average number of ordinary shares	181,473	181,473
Effect of employee share bonus	-	-
Weighted average number of ordinary shares (diluted)	<u>181,473</u>	<u>181,473</u>
	<u>\$ (0.42)</u>	<u>(0.28)</u>

There were both net losses incurred for the period from January 1 to March 31 in 2023 and 2022, and no dilutive effect occurred.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) **Revenue from contracts with customers**

(i) Details of revenue

	For the three months ended March 31	
	2023	2022
<u>Primary geographical markets</u>		
America	\$ 516,934	1,504,411
Europe	24,390	91,656
Asia	22,875	41,185
Other	24,494	(2,407)
	<u>\$ 588,693</u>	<u>1,634,845</u>
<u>Major products/services lines</u>		
Woodworking tools	\$ 111,987	267,306
Fitness equipment	426,814	1,304,753
Other	49,892	62,786
	<u>\$ 588,693</u>	<u>1,634,845</u>

(ii) Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Contract liabilities	<u>\$ 36,350</u>	<u>38,713</u>	<u>533,614</u>

For details on trade receivables and allowance for impairment, please refer to note 6(b).

The amounts of revenue recognized for the three months March 31, 2023 and March 31, 2022, that were included in the contract liability balance at the beginning of the period were \$3,333 thousand and \$2,889 thousand, respectively.

(t) **Remunerations to employees, directors and supervisors**

According to the Articles of Association, once the Company has annual profit, it should at least appropriate 5% of the profit to its employees and 5% or less to its directors and supervisors as remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via cash or shares includes those dependent employees of the Company's subsidiaries under certain requirements.

Due to the losses before tax on both March 31 in 2023 and 2022, the remunerations to employees, directors and supervisors aren't estimated.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021, the remunerations to employees amounted to \$0 and \$69,327 thousand and the remunerations to directors and supervisors amounted to \$0 and \$7,000 thousand, respectively. There were no differences between the estimated amounts and the actual remuneration paid, and the information is available on the Market Observation Post System website.

(u) **Non-operating income and expenses**

(i) Interest income

The details of interest income were as follows:

	For the three months ended March 31	
	2023	2022
Interest income – bank deposits	\$ 538	255

(ii) Other income

The details of other income were as follows:

	For the three months ended March 31	
	2023	2022
Rent income	\$ 1,397	1,397
Other	12,473	2,870
	\$ 13,870	4,267

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended March 31	
	2023	2022
Net foreign exchange gains (losses)	\$ (20,825)	12,240
Net losses on disposal of property, plant and equipment	(950)	(876)
Other	(29)	(34)
Net other gains and losses	\$ (21,804)	11,330

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance expenses

The details of finance expenses were as follows:

	For the three months ended March 31	
	2023	2022
Interest expenses	\$ (8,576)	(4,947)
Less: capitalization of interest	1,220	500
	\$ (7,356)	(4,447)

(v) **Financial Instruments**

(i) Credit risk

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2022.

(1) Concentration of credit risk

As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group reviewed the concentrations of credit risk arising from major customer at percentages below 23%、37% and 26%, respectively, of the total trade receivables. The other top five clients contributed no more than 44%, 58% and 55%, respectively, of the total receivables.

(2) Receivables

For credit risk exposure of notes and accounts receivable, please refer to note 6(b). Other financial assets at amortized cost includes other receivables. For the details and loss allowance, please refer to note 6(b).

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>more than 5 years</u>
March 31, 2023						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,081,879	1,098,952	715,092	373,558	10,302	-
Unsecured loans	721,047	682,077	566,645	54,691	60,741	-
Lease liabilities (current and non-current)	31,606	32,617	9,013	5,364	9,420	8,820
Payables	<u>1,334,403</u>	<u>1,334,403</u>	<u>1,334,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,168,935</u>	<u>3,148,049</u>	<u>2,625,153</u>	<u>433,613</u>	<u>80,463</u>	<u>8,820</u>
December 31, 2022						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,119,751	1,137,492	654,277	401,103	82,112	-
Unsecured loans	732,253	742,453	618,844	51,686	71,923	-
Lease liabilities (current and non-current)	35,192	36,289	10,808	6,146	9,780	9,555
Payables	<u>1,639,700</u>	<u>1,639,700</u>	<u>1,639,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,526,896</u>	<u>3,555,934</u>	<u>2,923,629</u>	<u>458,935</u>	<u>163,815</u>	<u>9,555</u>
March 31, 2022						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,093,394	1,108,486	336,759	391,397	380,330	-
Unsecured loans	719,777	721,208	721,208	-	-	-
Lease liabilities (current and non-current)	59,794	61,180	31,120	8,496	9,804	11,760
Payables	<u>2,445,523</u>	<u>2,445,523</u>	<u>2,445,523</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,318,488</u>	<u>4,336,397</u>	<u>3,534,610</u>	<u>399,893</u>	<u>390,134</u>	<u>11,760</u>

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

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk of financial assets and liabilities were as follows:

	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign Currency	Exchange Rates	NTD	Foreign Currency	Exchange Rates	NTD	Foreign Currency	Exchange Rates	NTD
<u>Financial Assets</u>									
<u>Monetary items</u>									
USD	48,104	30.45	1,464,767	79,128	30.71	2,430,021	53,499	28.63	1,531,409
EUR	22	33.15	729	31	32.72	1,014	13	31.92	415
JPY	209,510	0.2288	47,936	209,838	0.2324	48,766	200,661	0.2353	47,216
GBP	5	37.67	188	5	37.3	187	5	37.6	188
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
USD	5,799	30.45	176,580	8,491	30.71	260,759	5,973	28.63	170,977
EUR	224	33.15	7,426	230	32.72	7,526	240	31.92	7,661

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, borrowings and trade and other payables that are denominated in foreign currency. A strengthening or weakening of 1% of the NTD against the USD, EUR, JPY and GBP as at March 31, 2023 and 2022, would have increased or decreased the net profit after tax by \$10,637 thousand and \$11,204 thousand, respectively, with all other variables remaining constant. The analysis is performed on the same basis for March 31, 2023 and 2022.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months ended March 31, 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(20,825) thousand and \$12,240 thousand, respectively.

2) Interest rate analysis

Please refer to the note 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 the interest rate risk of derivative and non-derivative financial instruments on the reporting date.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 1%, with all other variable factors remaining constant, the Group's net income would have increased/decreased by \$14,423 thousand and \$3,626 thousand for the three months ended March 31, 2023 and 2022, respectively. This is mainly due to the Group's borrowings in variable rates.

(iv) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

	March 31, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
Financial assets measured at amortized cost					
Cash and cash equivalents	1,729,060	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	437,832	-	-	-	-
Guarantee deposits paid	3,526	-	-	-	-
	<u>\$ 2,170,514</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 762,037	-	-	-	-
Notes payable, accounts receivable, and other payable (including related parties)	1,334,403	-	-	-	-
Long-term borrowings, due in 1 year	485,431	-	-	-	-
Loan-term borrowings	555,458	-	-	-	-
Leases liabilities	31,606	-	-	-	-
	<u>\$ 3,168,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumption used for financial instruments not measured at fair value are as follows:

For financial liabilities measured at amortized cost, if there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

The fair value of financial instruments is quoted prices if quoted prices are from an active market. Published prices from the main exchange and central government bonds regarded as usually-traded securities are both basis of fair values of listed equity instruments and debt instruments with quoted prices from an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

4) Transfer between Level 1 and Level 2

There were no transfers in the three months ended March 31, 2023 and 2022.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement.

The Group's financial instruments that use Level 3 inputs to measure fair value mainly include "financial assets measured at fair value through profit or loss – equity investments".

Most of the Group's fair values are Level 3 "only with single significant unobservable inputs", and only equity instruments without active market have plural significant unobservable inputs. Since significant unobservable inputs of equity instruments without an active market are independent, they are not correlated.

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as those disclosed in Note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Capital management

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, 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, and issue new shares or sell assets to settle any liabilities.

The Group use the debt-to-equity ratio to manage capital. This ratio uses the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest, plus, net debt.

As of March 31, 2023, the Group's capital management strategy is consistent with the prior year as of December 31, 2022 and prior period as of March 31, 2022. The Group's debt to equity ratio as of March 31, 2023, December 31, 2022 and March 31, 2022, were as follows:

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Total liabilities	\$ 3,707,600	4,244,630	5,363,808
Less: cash and cash equivalents	<u>(1,729,060)</u>	<u>(1,970,759)</u>	<u>(2,758,975)</u>
Net debt	1,978,540	2,273,871	2,604,833
Total equity	<u>3,434,790</u>	<u>3,509,327</u>	<u>3,678,540</u>
Adjusted equity	<u>\$ 5,413,330</u>	<u>5,783,198</u>	<u>6,283,373</u>
Debt to equity ratio	<u>37%</u>	<u>39%</u>	<u>41%</u>

(y) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1,</u> <u>2023</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>March 31,</u> <u>2023</u>
			<u>Acquisition</u>	<u>Foreign exchange movement</u>	
Long-term borrowings	\$ 1,050,587	(10,992)	-	1,294	1,040,889
Short-term borrowings	801,417	(39,774)	-	394	762,037
Lease liabilities	<u>35,192</u>	<u>(3,586)</u>	<u>-</u>	<u>-</u>	<u>31,606</u>
Total liabilities from financing	<u>\$ 1,887,196</u>	<u>(54,352)</u>	<u>-</u>	<u>1,688</u>	<u>1,834,532</u>
	<u>January 1,</u> <u>2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>March 31,</u> <u>2022</u>
			<u>Acquisition</u>	<u>Foreign exchange movement</u>	
Long-term borrowings	\$ 686,597	270,596	-	1,917	959,110
Short-term borrowings	802,025	47,502	-	4,534	854,061
Lease liabilities	<u>68,553</u>	<u>(8,759)</u>	<u>-</u>	<u>-</u>	<u>59,794</u>
Total liabilities from financing	<u>\$ 1,557,175</u>	<u>309,339</u>	<u>-</u>	<u>6,451</u>	<u>1,872,965</u>

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Names and relationship with the Group

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>
Fine Clear Co., Ltd	An associate

(b) Significant transactions with related parties

(i) Sales of goods to related parties

The amounts of significant sales by the Group to related parties were as follows:

	<u>For the three months ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Associates – Fine Clear Co., Ltd	<u>\$ 10,809</u>	<u>10,118</u>

The prices charged to related party is incomparable to normal price because there were no similar items sold to both related and non-related parties. The credit term was 150 days, while the credit term for routine sales transactions was ranged from 30 days to 120 days. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Receivables from related parties

The details of the Group's receivables from related parties were as follows:

<u>Account</u>	<u>Related-party type</u>	<u>March 31,</u> <u>2023</u>	<u>December</u> <u>31, 2022</u>	<u>March 31,</u> <u>2022</u>
Notes receivable	Associates – Fine Clear Co., Ltd	<u>\$ 21,080</u>	<u>31,722</u>	<u>23,413</u>
Accounts receivable	Associates – Fine Clear Co., Ltd	<u>\$ 2,731</u>	<u>8,794</u>	<u>4,808</u>

(iii) Payables to related parties

The details of the Group's payables to related parties were as follows:

<u>Account</u>	<u>Related-party type</u>	<u>March 31,</u> <u>2023</u>	<u>December</u> <u>31, 2022</u>	<u>March 31,</u> <u>2022</u>
Notes payable	Associates – Fine Clear Co., Ltd	<u>\$ 34</u>	<u>94</u>	<u>83</u>
Other payables	Associates – Fine Clear Co., Ltd	<u>\$ 19</u>	<u>6</u>	<u>5</u>

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31	
	2023	2022
Short-term employee benefits	\$ 4,875	8,495
Post-employment benefits	220	414
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	\$ 5,095	8,909

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2023	December 31, 2022	March 31, 2022
Land	Guarantee for bank loans	\$ 296,916	296,916	296,916
Buildings	Guarantee for bank loans	830,295	844,913	854,690
		\$ 1,127,211	1,141,829	1,151,606

(9) Significant commitments and contingencies:

(i) The Group's unrecognized contractual commitments were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Acquisition of property, plant and equipment	\$ 114,342	293,285	513,091

(ii) The Group received civil complaint of trade price and notice trial which Yi-Zong Hardware Co., Ltd. claim that the Group should pay \$37,154 thousands for purchase. The complaint is on trial in Taiwan Taichung District Court, therefore, the Group has not estimated relevant provisions and does not expect material impact in the Group's operation and business.

(10) Losses due to major disasters:None

(11) Subsequent events:None

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

- (a) A summary of employee benefits, depreciation, and amortization by function, is as follows:

By function	For the three months ended March 31					
	2023			2022		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefits						
Salary	74,828	44,114	118,942	141,984	60,577	202,561
Labor and health insurance	8,977	5,144	14,121	16,809	6,186	22,995
Pension	4,501	2,167	6,667	7,817	2,976	10,793
Others	1,506	534	2,040	3,290	546	3,836
Depreciation	75,920	11,901	87,820	74,648	10,945	85,593
Amortization	1,142	3,903	5,045	545	3,190	3,735

- (b) Seasonality of operation

The Group's operations were not affected by seasonality or cyclicality factor.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2023:

- (i) Lending other parties: None

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(Amounts in Thousands of New Taiwan Dollars)

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 (USD2,000)	Balance of guarantees and endorsements as of reporting date (USD2,000)	Actual usage amount during the period (USD2,000)	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										
0	REXON INDUSTRIAL CORP., LTD	Tongxiang Rexon	2	1,363,715	61,420	60,900	60,900	-	1.79 %	1,363,715	Y	N	Y

Note1 : The total amount and the limited amount of the guarantee provided by the company to any individual subsidiary shall not exceed forty percent (40%) of the Company's net worth.

Note2 : No.0 represents the parent company.

Note3 : The relationship between guarantee provider and guarantee party were as follows :

- 1) Companies which were in business relationship.
- 2) Subsidiaries which the company directly or indirectly held more than fifty percent (50%).
- 3) Companies with substantial control.

(iii) Securities held as of March 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(Amounts in Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
REXON INDUSTRIAL CORP., LTD	Stock-Hwa Chung Venture Capital Corp	-	Financial assets at fair value though profit or loss-current	10	96	-	96	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	The subsidiary	Purchase	86,176	19 %	90~150Days	(Note1)	(Note2)	(140,415)	(18) %	

Note1 : The price charged to related party is incomparable to normal price because there were no similar items purchased from both related and non-related parties.

Note2 : The payment term for the related party is 90-150 days. Apart from according to the established payment policy, the related working capital, industry characteristics, and industrial prosperity are also considered.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Name of Counter-party	Name of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tongxiang Rexon	REXON INDUSTRIAL CORP., LTD.	Parent company	Account receivable 140,415	1.94 %	-	-	The recovery amount as of April 24, 2023 : 30,575	-

(ix) Trading in derivative instruments:None.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(Amounts in Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Purchases	86,176	The prices were agreed upon by the two parties to the transaction.	14.64 %
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Account payable	140,415	The payment terms were agreed upon by the two parties to the transaction.	1.97 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Purchases	5,945	The prices were agreed upon by the two parties to the transaction.	1.01 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Account payable and notes payable	4,938	The payment terms were agreed upon by the two parties to the transaction.	0.07 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Service fee	11,371	The prices were agreed upon by the two parties to the transaction.	1.93 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Other payable	102,037	The payment terms were agreed upon by the two parties to the transaction.	1.43 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Sales	3,587	The prices were agreed upon by the two parties to the transaction.	0.61 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Account receivable	3,569	The receivment terms were agreed upon by the two parties to the transaction	0.05 %

Note1 : Representations of No. were as follows:

- 1) No.0 represents the parent company.
- 2) Subsidiaries were numbered in sequence from No.1.

Note2 : Type of intra-group transactions were as follows:

- 1) represents the transactions from parent company to subsidiary.
- 2) represents the transactions from subsidiary to parent company.
- 3) represents the transactions between subsidiaries.

(b) Information on investees (excluding information on investees in Mainland China):

The following is the information on investees for the three months ended March 31, 2023 (excluding information on investees in Mainland China):

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of wnership	Carrying value			
REXON INDUSTRIAL CORP., LTD.	Fine Clear Co.,Ltd	R.O.C	Buying and selling accessories	14,197	14,197	1,600	16 %	16,439	115	19	Investment Using Equity Method
REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd. (Rexon Tech)	R.O.C	Manufacture and sale of electric components	293,741	293,741	7,851	82.87 %	96,926	(1,141)	(946)	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	U.S.A	Merchandise trading	196,465	196,465	0.1	96 %	155,601	1,889	1,814	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Gold Item Group Ltd.	British Virgin Islands	Investing and holding	747,858	747,858	US\$25,000 (Note 1)	100 %	681,363	(24,450)	(24,450)	Direct subsidiaries of the Company
Gold Item	Gold Tech Group Ltd.	Hong Kong	Investing and holding	US\$25,000	US\$25,000	US\$25,000 (Note 1)	100 %	660,864	(24,450)	(24,450)	Direct subsidiaries of Gold Item

Note1 : Company Limited without issuing Shares. The amount of capital invested is disclosed.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(Amounts in Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2023	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of March 31, 2023	Accumulated remittance of earnings as of March 31, 2023
					Outflow	Inflow						
Tongxiang Rexon	Manufacture of drills, woodworking tools and fitness equipment	RMB154,465 (USD 25,000)	(Note 1)	USD 25,000 (NTD 745,565)	-	-	USD 25,000 (NTD 745,565)	(24,450)	100 %	(24,450)	660,864	-

Note 1 : The Group invested companies in Mainland China through investees in Third Region, and investees in Third Region invested companies in Mainland China through their investees in Hong Kong.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$ 25,000 (NT\$745,565)	US\$ 25,000 (NT\$745,565)	2,045,572

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Kun Forever Co., Ltd.		20,196,000	11.12 %
Trust Account entrusted by Shu-Qi Chen in Li-Tai Investing Corp., Ltd.		12,275,599	6.76 %

Note:(1) The information of major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation based on the last business day at the end of each quarter, disclosing shareholders with more than 5% of the Company's ordinary shares and preferred shares that have been delivered without physical registration (including treasury shares). As for the share capital reported in the Company's financial statements and the Company's actual number of shares delivered without physical registration, there may be differences due to different calculation bases.

(2) In a situation where a shareholder entrusted the holdings, the individual account of the settlor opened by the trustee was disclosed. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider equity declaration, please refer to Market Observation Post System.

(14) Segment information

The reportable information of segment's profit and assets is in accordance with the consolidated financial statements. Please refer to Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income.