Stock Code:1515

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

Address: No.261, Jen Hwa RD, Tali, Taichung City 412,Taiwan (R.O.C.)
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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.

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Representation Letter

The entities that are required to be included in the combined financial statements of REXON INDUSTRIAL CORP., LTD. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, REXON INDUSTRIAL CORP., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: REXON INDUSTRIAL CORP., LTD.
Chairman: Kun-Fu, Wang
Date: March 23, 2020

KPMG

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Independent Auditors' Report

To the Board of Directors of REXON INDUSTRIAL CORP., LTD.:

Opinion

We have audited the consolidated financial statements of REXON INDUSTRIAL CORP., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets of December 31, 2019 and 2018, the consolidated statement 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 significant 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, 2019 and 2018, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Interpretive Letter No.1090360805 issued by Financial Supervisory Commission R.O.C (Taiwan) the auditing standards generally accepted in the Republic of China. We also conducted our audits of the financial statements in 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Valuation of Inventories

   The accounting principle of inventory, refer to consolidated financial statements Note 4 (h)"inventory", the assessment of accounting estimate and assumption uncertainty, refer to consolidated financial statements Note 5 (a); the explanation of inventory assessment refers to consolidated financial statements Note 6 (f).

Description of key audit matter:

Due to the introduction of new products such as machine tools or fitness machines may cause significant changes in consumer demand, the original product outdated may no longer meet the market demand, or by the electric tool market recession and competitors' low-cost strategy and other factors so that the sale of related products may be volatile, it easily leads to the cost of inventory may exceed its net realizable value of the risk; therefore, inventory valuation is considered as one of a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, includes the allowance for uncollectible inventory valuation losses of Rexon Industrial Corp., Ltd. and the rationale of calculation method, implementation of the sampling procedures to check the inventory and the net realized value to compare with the past period situation and analyze whether the loss of the value of the deposit in the current period is disclosure appropriately.

2. Provision Recognition

The accounting principle of provision recognition, refer to consolidated financial statements Note 4 (p); The accounting estimation and assumption uncertainty of the provision, refer to consolidated financial statements Note 5 (b); the explanation about the provision, refer to consolidated financial statements Note 6 (r).

Description of key audit matter:

Part of the revenue is based on contractual agreements or business practices provides standard warranty. When a product defect occurs and a discount is required for the customer, the management's estimated provision when the revenue is measured, based on historical defective rate. The provision is probable that outflow of economic benefits and involve the management to make judgements and estimates. Therefore, the provision is considered as one of a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures includes understanding the management's methods and data sources of estimating provisions and evaluating the possibility to change accounting estimates; assessing whether the provision is in accordance with related accounting standards; assessing the accuracy of estimation; performing sampling procedure to verify the accuracy of the calculation method of estimation; and assessing whether the provision is fairly presented.

Other Matter

REXON INDUSTRIAL CORP., LTD. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect 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 supervisors) are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 the auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain 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 auditor's 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 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 that were of most significance in the audit of the consolidated financial statements of the current period 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 Shyh-Huar, Kuo and Chun-Yuan, Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 23, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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 and Report Originally Issued in Chinese)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6 (a))	$ 2,137,750	31	1,396,507	20
1110	Current financial assets at fair value through profit or loss (note 6 (b))	107,046	2	366,748	5
1120	Current financial assets at fair value through other comprehensive income (note 6 (c))	37,862	-	41,005	1
1150	Notes receivable, net (note 6 (d))	585	-	276	-
1160	Notes receivable due from related parties, net (note 6 (d) and 7)	10,740	-	8,504	-
1170	Accounts receivable, net (note 6 (d))	1,043,806	15	1,649,762	23
1180	Accounts receivable due from related parties, net (note 6 (d) and 7)	22,820	-	20,047	-
1200	Other receivables, net (note 6 (e))	1,444	-	884	-
130x	Inventories (note 6 (f))	636,030	9	737,301	11
1460	Non-current assets classified as held for sale (note 6 (g) and 12)	-	-	109,854	2
1479	Other current assets, others (note 6 (m))	107,614	2	139,275	2
		4,105,697	59	4,470,163	64
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6 (c))	181,858	3	147,130	2
1550	Investments accounted for using equity method, net (note 6 (h))	16,707	-	16,977	-
1600	Property, plant and equipment (note 6 (j) and 8)	2,337,281	34	2,182,088	31
1755	Right-of-use assets (note 6 (k))	59,583	1	-	-
1780	Intangible assets (note 6 (l))	58,581	1	56,503	1
1840	Deferred tax assets (note 6 (t))	73,620	1	31,874	-
1920	Guarantee deposits paid	1,823	-	353	-
1985	Long-term prepaid rents	-	-	60,158	1
1975	Net defined benefit asset, non-current (note 6 (s))	5,211	-	-	-
1990	Other non-current assets, others (note 6 (m))	64,073	1	44,852	1
		2,798,737	41	2,539,935	36
	Total assets	$ 6,904,434	100	7,010,098	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6 (n) and 8)	$ 642,842	9	804,960	12
2130	Current contract liabilities (note 6 (w))	25,516	-	16,355	-
2150	Notes payable	427,470	6	266,974	4
2160	Notes payable to related parties (note 7)	631	-	350	-
2170	Accounts payable	1,279,472	19	1,711,746	24
2200	Other payables	465,733	7	410,692	6
2220	Other payables to related parties (note 7)	134	-	95	-
2230	Current tax liabilities	182,260	3	97,595	2
2250	Current provisions (note 6 (r))	166,842	2	41,327	1
2260	Liabilities related to non-current assets classified as held for sale (note 6 (g) and 12)	-	-	4,478	-
2280	Current lease liabilities (note 6 (q))	1,241	-	-	-
2320	Long-term liabilities, current portion (note 6 (p) and 8)	52,501	1	244,680	3
2399	Other current liabilities, others (note 6 (g) and (o))	106,355	2	498,703	7
		3,350,997	49	4,097,955	59
	Non-Current liabilities:				
2540	Long-term borrowings (note 6 (p) and 8)	81,427	1	232,932	3
2570	Deferred tax liabilities (note 6 (t))	18,606	-	-	-
2580	Non-current lease liabilities (note 6 (q))	1,914	-	-	-
2645	Net defined benefit liability, non-current (note 6 (s))	-	-	129,653	2
		101,947	1	362,585	5
	Total liabilities	3,452,944	50	4,460,540	64
	Equity attributable to owners of parent: (note 6 (u))				
3100	Capital stock	1,814,735	26	1,814,735	26
3200	Capital surplus	433	-	433	-
3300	Retained earnings	1,665,229	24	694,728	10
3400	Other equity	(49,668)	-	18,926	-
	Total equity attributable to owners of parent:	3,430,729	50	2,528,822	36
36xx	Non-controlling interests	20,761	-	20,736	-
	Total equity	3,451,490	50	2,549,558	36
	Total liabilities and equity	$ 6,904,434	100	7,010,098	100

See accompanying notes to consolidated financial statements.

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars , except earnings Per Common Share)

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue, net (note 6 (w) and 7)	$ 7,902,085	100	6,185,512	100
5000	Operating costs (note 6 (f)、(l)、(s) and (x))	6,329,674	80	4,951,438	80
	Gross profit from operations, net	1,572,411	20	1,234,074	20
6000	**Operating expenses (note 6 (l)、(s) and (x)):**				
6100	Selling expenses	484,084	6	360,617	6
6200	Administrative expenses	214,584	3	183,421	3
6300	Research and development expenses	180,019	2	146,452	2
	Total operating expenses	878,687	11	690,490	11
	Net operating income	693,724	9	543,584	9
7000	**Non-operating income and expenses:**				
7010	Other income (note 6 (y))	77,007	1	74,271	1
7020	Other gains and losses (note 6 (y))	(2,824)	-	(4,980)	-
7050	Finance costs (note 6 (q) and (y))	(25,464)	-	(38,151)	(1)
7060	Share of profit of associates accounted for using equity method (note 6 (h))	530	-	407	-
		49,249	1	31,547	-
7900	**Profit before income tax**	742,973	10	575,131	9
7950	Income tax expense (note 6 (t))	184,605	3	113,927	2
8000	Profit from continuing operations	558,368	7	461,204	7
8100	**Discontinued operation income: (note 6 (i)、(t) and 12 (b))**	713,994	9	(62,227)	(1)
8200	**Profit**	1,272,362	16	398,977	6
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements of defined benefit obligation (note 6 (s))	57,703	1	(132,673)	(2)
8316	Unrealized gains on investments in equity instruments measured at fair value through other comprehensive income	36,169	-	28,935	-
		93,872	1	(103,738)	(2)
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statement	(126,678)	(1)	(100,842)	(2)
8365	Equity related to non-current assets (or disposal groups) reclassified as held for sale (note 6 (g))	-	-	90,815	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (t))	25,323	-	1,763	-
		(101,355)	(1)	(8,264)	-
8300	**Other comprehensive loss for the period, net of tax**	(7,483)	-	(112,002)	(2)
8500	**Total comprehensive income for the period**	**$ 1,264,879**	**16**	**286,975**	**4**
	Profit, attributable to:				
8610	Owners of parent	$ 1,272,197	16	398,728	6
8620	Non-controlling interests	165	-	249	-
		$ 1,272,362	**16**	**398,977**	**6**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 1,264,854	16	286,544	4
8720	Non-controlling interests	25	-	431	-
		$ 1,264,879	**16**	**286,975**	**4**
	Earnings per share(NT dollars) (note 6 (v))				
9750	**Basic earnings per share**				
	Basic earnings per share from continuing operations	$	3.08		2.54
	Basic loss per share from discontinued operations		3.93		(0.34)
	Total basic earnings per share	**$**	**7.01**		**2.20**
9850	Diluted earnings per share				
	Diluted earnings per share from continuing operations	$	3.05		2.53
	Diluted loss per share from discontinued operations		3.91		(0.34)
	Total diluted earnings per share	**$**	**6.96**		**2.19**

See accompanying notes to consolidated financial statements.

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
			Retained earnings				Total other equity							
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Equity related to non-current assets (or disposal groups) classified as held for sale	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 1,814,735	433	65,131	6,201	561,363	632,695	(51,452)	-	50,076	-	(1,376)	2,446,487	20,305	2,466,792
Effects of retrospective application	-	-	-	-	13,559	13,559	-	50,076	(50,076)	-	-	13,559	-	13,559
Equity at beginning of period after adjustments	1,814,735	433	65,131	6,201	574,922	646,254	(51,452)	50,076	-	-	(1,376)	2,460,046	20,305	2,480,351
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	27,030	-	(27,030)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(217,768)	(217,768)	-	-	-	-	-	(217,768)	-	(217,768)
Reversal of special reserve	-	-	-	(4,825)	4,825	-	-	-	-	-	-	-	-	-
	-	-	27,030	(4,825)	(239,973)	(217,768)	-	-	-	-	-	(217,768)	-	(217,768)
Profit	-	-	-	-	398,728	398,728	-	-	-	-	-	398,728	249	398,977
Other comprehensive income	-	-	-	-	(132,673)	(132,673)	(99,261)	28,935	-	90,815	20,489	(112,184)	182	(112,002)
Comprehensive income	-	-	-	-	266,055	266,055	(99,261)	28,935	-	90,815	20,489	286,544	431	286,975
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	187	187	-	(187)	-	-	(187)	-	-	-
Balance at December 31, 2018	**$ 1,814,735**	**433**	**92,161**	**1,376**	**601,191**	**694,728**	**(150,713)**	**78,824**	**-**	**90,815**	**18,926**	**2,528,822**	**20,736**	**2,549,558**
Balance at January 1,2019	$ 1,814,735	433	92,161	1,376	601,191	694,728	(150,713)	78,824	-	90,815	18,926	2,528,822	20,736	2,549,558
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	39,873	-	(39,873)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(362,947)	(362,947)	-	-	-	-	-	(362,947)	-	(362,947)
Reversal of special reserve	-	-	-	(1,376)	1,376	-	-	-	-	-	-	-	-	-
	-	-	39,873	(1,376)	(401,444)	(362,947)	-	-	-	-	-	(362,947)	-	(362,947)
Profit	-	-	-	-	1,272,197	1,272,197	-	-	-	-	-	1,272,197	165	1,272,362
Other comprehemsive income	-	-	-	-	57,703	57,703	(10,400)	36,169	-	(90,815)	(65,046)	(7,343)	(140)	(7,483)
Comprehemsive income	-	-	-	-	1,329,900	1,329,900	(10,400)	36,169	-	(90,815)	(65,046)	1,264,854	25	1,264,879
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	3,548	3,548	-	(3,548)	-	-	(3,548)	-	-	-
Balance at December 31, 2019	**$ 1,814,735**	**433**	**132,034**	**-**	**1,533,195**	**1,665,229**	**(161,113)**	**111,445**	**-**	**-**	**(49,668)**	**3,430,729**	**20,761**	**3,451,490**

See accompanying notes to consolidated financial statements.

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	$ 742,973	575,131
Profit (loss) from discontinued operations before tax	804,412	(62,227)
Profit before tax	1,547,385	512,904
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	136,918	122,431
Amortization expense	9,359	8,535
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(52,009)	1,040
Interest expense	25,464	38,151
Interest income	(6,141)	(3,555)
Dividend income	(13,130)	(9,182)
Share of profit of associates and joint ventures accounted for using equity method	(530)	(407)
Loss on disposal of property, plan and equipment	13,144	41,189
Gain on disposal of subsidiary	(804,412)	-
Total adjustments to reconcile profit (loss)	(691,337)	198,202
Changes in operating assets and liabilities:		
Decrease in financial assets mandatorily measured at FVTPL	311,711	259,889
(Increase) decrease in notes receivable	(309)	1,535
(Increase) decrease in notes receivable due from related parties	(2,236)	8,782
Decrease (increase) in accounts receivable	605,956	(276,524)
Increase in accounts receivable due from related parties	(2,773)	(1,951)
Increase in other receivable	(560)	(469)
Decrease (increase) in inventories	101,271	(65,787)
Decrease (increase) in other current assets	31,661	(18,138)
(Increase) decrease in other operating assets	(1,184)	1,961
Total changes in operating assets	1,043,537	(90,702)
Increase in contract liabilities	9,161	6,198
Increase in notes payable	160,496	1,334
Increase (decrease) in notes payable to related parties	281	(117)
(Decrease) increase in accounts payable	(432,274)	527,501
Increase (decrease) in other payable	56,815	(13,518)
Increase (decrease) in other payable to related parties	39	(78)
Increase in other current liabilities	141,816	3,628
Decrease in net defined benefit liability	(77,161)	(56,647)
Total changes in operating liabilities	(140,827)	468,301
Total changes in operating assets and liabilities	902,710	377,599
Total adjustments	211,373	575,801
Cash inflow generated from operations	1,758,758	1,088,705
Interest received	6,141	3,555
Dividends received	13,130	9,182
Interest paid	(26,222)	(38,468)
Income taxes paid	(188,269)	(41,572)
Net cash flows from (used in) operating activities	1,563,538	1,021,402
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,584	43,312
Acquisition of property, plant and equipment	(272,258)	(193,556)
Proceeds from disposal of property, plant and equipment	1,591	2,374
Increase in refundable deposits	(1,470)	(155)
Acquisition of intangible assets	(11,572)	(9,918)
Increase in prepayments for business facilities	(83,170)	(51,589)
Dividents received	800	-
Decrease in advance receipts	(408,649)	-
Increase in advance receipts	-	408,649
Disposal of subsidiary price	818,760	-
Net cash flows from (used in) investing activities	48,616	199,117
Cash flows from (used in) financing activities:		
Increase in short-term loans	641,294	286,364
Decrease in short-term loans	(789,503)	(489,061)
Proceeds from long-term debt	358,039	170,000
Repayments of long-term debt	(703,280)	(506,161)
Payment of lease liabilities	(611)	-
Cash dividends paid	(362,947)	(217,768)
Net cash flows from (used in) financing activities	(857,008)	(756,626)
Effect of exchange rate changes on cash and cash equivalents	(13,903)	1,338
Net increase in cash and cash equivalents	741,243	465,231
Cash and cash equivalents at beginning of period	1,396,507	936,121
Cash and cash equivalents at end of period	$ 2,137,750	1,401,352
Components of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	$ 2,137,750	1,396,507
Reclassification to (non-current) assets (or disposal groups) held for sale	-	4,845
Cash and cash equivalents at end of period	$ 2,137,750	1,401,352

See accompanying notes to consolidated financial statements.

(expressed in thousands of New Taiwan Dollars 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 group'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 group and its subsidiaries (the ' Group') is in the business of manufacturing and selling drills, woodworking tools and fitness equipment.

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

The consolidated financial statement were authorized for issue by the Board of Directors on March 23, 2020.

(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. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(Continued)

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(l)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of photocopying equipment, dormitory and sporadic leases.

● Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

— their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’ s incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

(Continued)

－ Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

－ Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional 60,158 thousands of right-of-use assets and 0 thousands of lease liabilities, and the reclassification of long-term prepaid rents is reduced 60,158 thousands no impact on retained earnings. However, there is no significant impact on the current contracts handled by finance leases ring.

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The adoption of IFRIC23 has no significant impact on the consolidated financial statements of the Group for the year ended December 31, 2019.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

(Continued)

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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.

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other Comprehensire income are mearsured at fair value.

3) The defined benefit liabilities (assets) are measured at fair value of plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) **Basis of consolidation**

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of 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 the 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 the parent and to the 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. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

			Shareholding	
Name of investor	**Name of subsidiary**	**Principal activity**	**December 31, 2019**	**December 31, 2018**
The Company	Power Tool Specialists Inc. (P.T.S.)	Merchandise trading	96%	96%
〃	Gold Item Group Ltd.(Gold Item)	Investing and holding	100%	100%
〃	Rexon Technology Corp., Ltd. (Rexon Tech)	Manufacture and sale of electric components	80.09%	80.09%
〃	Hangzhou Kanji Trading Co., Ltd. (Hangzhou Kanji)	Merchandise trading	-	100% (Note 1)

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018
Gold Item	Motomax Hong Kong	Investing and holding	-	100% (Note 2)
Gold Item	Gold Tech Group Ltd.	Investing and holding	100%	100%
Motomax Hong Kong	Hangzhou Liwu Machinery & Electric Co., Ltd.(Hangzhou Liwu)	Manufacture of drills and woodworking tools	-	100% (Note 2)
Gold Tech Group Ltd.	Tongxiang Rexon Industrial Co., Ltd.(Tongxiang Rexon)	Manufacture of drills, woodworking tools and fitness equipment	100%	100%
Rexon Tech.	Rexon Technology Ltd.(Brunei)	Iexon Technology Ltd. (Brunei)	100%	100%
Rexon Technology Ltd. (Brunei)	Rexon Technology Ltd. (Shanghai)	Manufacture and sale of radio communication equipment	100%	100%

Note 1: Hangzhou Kanji completed the liquidation procedures on August 31, 2019.

Note 2: On March 5, 2019 , the Group sold Motomax Hong Kong including its indirect reinvestment of 100% equity interest in Hangzhou Liwu. For details, please attach 6(g) and (i).

(iii) Subsidiaries excluded from consolidation: None.

(d) **Foreign currency**

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at 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 translated 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 translation.

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

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent 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 the presentation currency at average exchange 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 any 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 only part of investment in an associate of 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 item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, Exchange differences 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.

(e) **Classification of current and non-current assets and liabilities**

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

(i) It expected to be realized, or intended to be sold or consumed, in its normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve mouths after the reporting period ; or

(iv) The asset is cash or a cash equivalent, 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.

An entity shall classify a liability as current when :

(i) It is expected to 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 the issue of equity instruments do not affect its classification.

(Continued)

(f) **Cash and cash equivalents**

Cash comprises cash on hand and demand 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.

(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 (unless it is a trade receivable without a significant financing component) 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. A trade receivable without a significant financing component is initially measured at the transaction price.

(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; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; 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 other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL：

(Continued)

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above 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.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) 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, amortized costs, notes and trade receivable, other receivable, and guarantee deposit paid), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL：

(Continued)

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances 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.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month 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 ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs 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). ECLs 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 and debt securities at FVOCI are 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 assets 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. For debt securities at FVOCI, the loss allowance is change to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations 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.

6) 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.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instrument

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 arrangements 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 liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital suplus is not sufficient to be written down).

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

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 liability simultaneously.

(iii)Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on 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 existing 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.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

(i) **Non-current assets held for sale & Discontinued operations**

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group' s accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(ii) Discontinued operations

A discontinued operation is a component of the Group' s business that either has been disposed, or is classifies as held for sale, and

1) represents a separate major line of business or geographic area of operations;

2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or

3) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

(j) **Investment in associates**

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within paidin capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(k) **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 cost

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

(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 the current and comparative periods are as follows:

1) Buildings 2 ~ 60 years
2) Machinery and equipment 2 ~ 10 years
3) Tooling equipment 2 ~ 10 years
4) Office equipment and other facilities 2 ~ 10 years
5) The significant portion of building consists of its main building and miscellaneous parts, which are estimated over their useful life within 2~60 years.
6) The significant portion of machinery and equipment consists of welding machines, conveyers, and others, which are estimated over their useful life within 5~10 years.

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

(l) **Leases**(Applicable from January 1, 2019)

(i) Identifying a lease

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

– the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

– the customer has the right to direct the use of the asset throughout the period of use only if either:

(1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

(2) the relevant decisions about how and for what purpose the asset is used are predetermined and:

– the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

– the customer designed the asset in a way that predetermines how and for what purpose it will be?used throughout the period of use.

(ii) As a leasee

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.

(Continued)

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

– fixed payments, including in-substance fixed payments;

– 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 presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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

(Continued)

For sale-and-leaseback transactions, the Group applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Group derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Group applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Group continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

(m) **Leases**(Applicable before January 1, 2019)

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Leases of the group are operating leases and are not recognized in the Group's balance sheets. Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Incentives granted by lessor to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease expense is reduced accordingly.

(n) **Intangible assets**

(i) Recognition and measurement

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

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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

(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:

(a) Patents 3 years

(b) Computer software cost 1~10years

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

(o) **Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, 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. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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.

(p) **Provisions**

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(q) **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 accounting policies for the Group's main types of revenue are explained below.

(Continued)

1) Sale of goods

The Group manufactures and sells woodworking tools and fitness equipment to retail stores, fitness club, and fitness equipment specialty chain stores around the world. The Group recognizes revenue when control of the products has 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's obligation to provide a refund for faulty drilling machine under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(p).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

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.

(r) **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 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 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

(Continued)

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.

(iii) 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.

(s) **Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations, or those 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 payables or receivables 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 for financial reporting purposes 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 that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(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 differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

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 entities 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.

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 profits will be available against which they can be utilized. Deferred tax assets 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.

(t) **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 are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are 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.

(u) **Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may incur 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 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 those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

(Continued)

(a) Valuation 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. Refer to note 6(f) for further description of the valuation of inventories.

(b) Recognition and measurement of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the historical defective rate of the products. The Group regularly reviews the basis of the estimate and, if necessary, amends it as appropriate. There could be a significant impact on provision for warranty for any change in the basis of the estimate.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

a. Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

b. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset orliability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c. Level 3: inputs for the assets or liability that are not based on observable market data.

(6) Explanation of significant accounts:

(a) **Cash and cash equivalents**

	December 31, 2019	December 31, 2018
Petty cash and cash on hand	$ 1,180	1,440
Checking and demand deposits	1,836,770	1,395,067
Time deposits	299,800	-
Cash and cash equivalents in the consolidated statement of cash flows	**$ 1,837,950**	**1,396,507**

Please refer to note 6(z) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

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

		December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	$	96,650	357,357
Stocks listed on domestic markets		10,300	9,295
Stocks unlisted on domestic markets		96	96
Total	$	**107,046**	**366,748**

(i) For the gain or loss arising from the revaluation to market value, please refer to Note 6(y).

(ii) As of December 31, 2019 and 2018, the financial assets at fair value through profit or loss of the Group were not pledged as collateral.

(c) **Financial assets at fair value through other comprehensive income**

		December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income			
Domestic Company - FALCON MACHINE TOOLS CO.,LTD	$	37,862	41,005
Domestic Company - ASIX Electronics Corporation		181,858	147,130
Total	$	**219,720**	**188,135**

(i) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

(ii) The Group was designated as an equity instrument investment measured at fair value through other comprehensive income in the above list. The dividend income recognized in 2019 and 2018 was $12,842 and $8,798, respectively.

(iii) During the period from July 2019 and June-September 2018, the Group has sold equity instrument investment measured at fair value through other comprehensive income for strategic purposes. The shares sold had a fair value of $4,583 and $43,312, respectively. The Group realized a gain of $3,548 and $187, respectively.

(iv) For credit risk and market risk, please refer to Note 6(aa).

(v) As of December 31, 2019 and 2018, the financial assets at fair value through other comprehensive income were not pledged as collateral.

(d) **Notes and accounts receivable and other receivables (include related party)**

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 585	276
Notes receivable from operating activities-related parties	10,740	8,504
Less:Allowance for impairment loss	-	-
Total	**$ 11,325**	**8,780**
Accounts receivable-measured at amortized cost	$ 1,045,409	1,651,365
Accounts receivable from related parties-measured at amortized cost	22,820	20,047
Less: Allowance for impairment loss	(1,603)	(1,603)
Total	**$ 1,066,626**	**1,669,809**

(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 on December 31, 2019. To measure the expected credit losses, trade 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 provision in Taiwan as of December 31, 2019 was determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 926,604	0.02%	190
1 to 90 days past due	151,796	0.20%	309
91 to 180 days past due	158	68.68%	108
181 to 360 days past due	996	100.00%	996
Total	**$ 1,079,554**		**1,603**

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	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,640,644	0.01%	164
1 to 90 days past due	38,837	3.05%	1,184
91 to 180 days past due	711	35.91%	255
Total	$ 1,680,192		1,603

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

	2019	2018
Balance at January 1 (which is Balance at December 31)	$ 1,603	1,603

(iv) None of the receivables was pledged as collateral as of December 31, 2019 and 2018.

(e) **Other receivables**

	December 31, 2019	December 31, 2018
Other receivables	$ 12,691	12,131
Less: Loss allowance	(11,247)	(11,247)
	$ 1,444	884

(i) As of December 31, 2019 and 2018, there are no other receivables which are past due but not impaired.

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

	2019	2018
Balance on January 1, 2019	11,247	11,580
Foreign exchange gains/(loss)	-	(333)
Balance on December 31, 2019 and 2018	$ 11,247	11,247

(f) **Inventories**

	December 31, 2019	December 31, 2018
Finished goods	$ 214,054	207,473
Work in progress	99,457	114,130
Materials	45,754	63,455
Parts	244,557	316,400
Merchandise	32,208	35,843
	$ 636,030	**737,301**

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

	2019	2018
Inventory scrap loss	$ 80,727	24,793
Inventory surplus and shortage	(274)	381
Revenue from sale of scraps	(11,457)	(8,308)
Loss for market price decline and obsolete and slow-moring inventories	(20,000)	21,475
Operating costs	**$ 48,996**	**38,341**

As of December 31, 2019 and 2018, inventories were not pledged as collateral.

(g) **Non-current assets held for sale**

On November 8, 2018, the board of directors passed the resolution of selling the shares of Motomax Hong Kong and its indirect investment in Hangzhou Liwu Machinery & Electric Co., Ltd, through the Company's subsidiary- Gold Item Group Ltd, and finished signing the stock-transfer contract on December 17, 2018. The consideration for the contract is USD$26,566 ($818,760). As of December 31, 2018, the consideration for the disposal received is USD $13,282 ($408,649) and is recognized in other current liability. Based on that, the related assets and liabilities are reported in "non-current assets held for sale" (or disposal group). As of December 31, 2018, the disposal group comprised the following assets and liabilities amounted to $109,854 and $4,478 were as follows:

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	December 31, 2018
Cash and cash equivalents	$ 4,845
Inventories	21,185
Other receivables	895
Other current assets	3,244
Total current assets	30,169
Property, plant and equipment	47,052
Intangible assets	24,387
Long-term prepaid rents	8,246
Total non-current assets	79,685
Total non-current assets classified as held for sale (or disposal group)	**$ 109,854**

	December 31, 2018
Other payables	$ 4,356
Other current liabilities	122
Liabilities relating to the non-current assets classified as held for sale	**$ 4,478**
Equity relating to the non-current assets classified as held for sale	**$ 90,815**

(i) The non-current assets are measured at the lower of carrying amount and fair value less costs to sell. There is no impairment as of December 31, 2018.

(ii) The Group doesn’t apply retrospective approach to the reporting of the non-current assets classified as held for sale, so the comparative financial statement isn’t re-presented. Please refer to note 12(b) for the management and cash flow for the discontinued operation.

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

Asummary of the Group’s financial information for investments accounted for using equity method at the reporting date is as follows:

	December 31, 2019	December 31, 2018
Associates	**$ 16,707**	**16,977**

(i) Associates

Affiliated company's information:

Company Name	Intercompany Relations	State of Operation/ Registration	Percentage of ownership and Voting share December 31, 2019	Percentage of ownership and Voting share December 31, 2018
Fine Clear Corp., Ltd.	Sale of pneumatic nail gun and accessories, which is the Group's investment	Taiwan	16%	16%

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

	December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associates' equity	$ 16,707	16,977

	2019	2018
Attributable to the Group:		
Profit from continuing operations	$ 530	407
Other comprehensive income	-	-
Comprehensive income	$ 530	407

(ii) Disclosure on pledges

As of December 31, 2019 and 2018, for its loans the Group did not provide any investment accounted for using equity method as collaterals.

(i) **Loss control of subsidiaries**

On March 5, 2019, the Group had sold all of its shares of Motomax Hong Kong and its indirect investment in Hangzhou Liwu Machinerg & Electric Co., Ltd. gains The Group derecognized Company A from the date of disposal as its subsidiary, and recognized a gain on disposal of USD$26,092 ($804,412), and recorded it as net gains (losses) on disposal of investment.

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The carrying amount of assets and liabilities of Company A on the date of disposal was as follow:

	March 5, 2019
Cash and cash equivalents	$ 4,954
Trade receivables	916
Inventories	21,664
Intangible assets	24,392
Other currents assets	3,317
Property, plant and equipment	48,113
Right-of-use asset	8,432
	111,788
Trade payables	5,945
Other current liabilities	124
	6,069
Carrying amount of net assets	**$ 105,719**

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

The cost, depreciation, and impairment of the property, plant and equipment of the Group in 2019 and 2018 are as follows:

	Land	Buildings	Machinery and equipment	Tooling equipment	Office equipment and other facilities	Construc tion in Progress	Total
Cost or deemed cost:							
Balance on January 1, 2019	$ 448,231	1,941,256	537,617	794,604	147,704	-	3,869,412
Additions	75,335	83,035	74,352	26,506	11,334	679	271,241
Disposal	-	-	(9,796)	(49,598)	(5,825)	-	(65,219)
Reclassification	-	5,955	36,864	22,296	18	-	65,133
Effect of movements in exchange rates	(70)	(29,713)	(6,765)	(2,423)	(890)	(29)	(39,890)
Balance on December 31, 2019	**$ 523,496**	**2,000,533**	**632,272**	**791,385**	**152,341**	**650**	**4,100,677**
Balance on January 1,2018	$ 355,975	2,103,725	574,047	827,940	183,956	-	4,045,643
Additions	92,165	39,376	21,452	22,348	11,948	-	187,289
Disposal	-	-	(78,260)	(63,053)	(48,236)	-	(189,549)
Reclassification	-	12,692	21,443	8,322	-	-	42,457
Disposal	-	(199,561)	-	-	-	-	(199,561)
Effect of movements in exchange rates	91	(14,976)	(1,065)	(953)	36	-	(16,867)
Balance on December 31, 2018	**$ 448,231**	**1,941,256**	**537,617**	**794,604**	**147,704**	**-**	**3,869,412**

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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	Land	Buildings	Machinery and equipment	Tooling equipment	Office equipment and other facilities	Construc tion in Progress	Total
Depreciation and impairment loss:							
Balance on January 1,2019	$ -	635,353	328,266	610,115	113,590	-	1,687,324
Depreciation	-	71,543	29,727	24,477	9,171	-	134,918
Disposal	-	-	(9,368)	(36,249)	(4,867)	-	(50,484)
Effect of movements in exchange rates	-	(5,021)	(1,820)	(897)	(624)	-	(8,362)
Balance on December 31, 2019	$ -	701,875	346,805	597,446	117,270	-	1,763,396
Balance on January 1, 2018	$ -	723,788	375,896	619,556	148,516	-	1,867,756
Depreciation	-	67,990	22,428	24,302	7,711	-	122,431
Disposal	-	-	(69,678)	(33,453)	(42,855)	-	(145,986)
Effect of movements in exchange rates	-	(152,509)	-	-	-	-	(152,509)
	-	(3,916)	(380)	(290)	218	-	(4,368)
Balance on December 31, 2018	$ -	635,353	328,266	610,115	113,590	-	1,687,324
Carrying amounts:							
Balance on December 31, 2019	$ 523,496	1,298,658	285,467	193,939	35,071	650	2,337,281
Balance on January 1, 2018	$ 355,975	1,379,937	198,151	208,384	35,440	-	2,177,887
Balance on December 31,2018	$ 448,231	1,305,903	209,351	184,489	34,114	-	2,182,088

(i) Land not registered in the name of the Group

In response to the need for expansion in the future, the Group bought the farmland next to its factory, costing $60,774, but the ownership of the land is temporarily not allowed to be transerred 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 yeoman.

(ii) Sales gains and losses, please refer to Note 6(y).

(iii) Disclosure on pledges

As of December 31, 2019 and 2018, property, plant and equipment of the Group had been pledged as collateral for bank loans; please refer to note 8.

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(k) **Right-of-use assets**

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

		Land	Vehicles	Total
Costs:				
Balance at January 1, 2019	$	-	-	-
Effects of retrospective application		60,158	-	60,158
Additions		-	3,766	3,766
Disposal/Write-off		(2,401)	-	(2,401)
Balance at December 31,2019	**$**	**57,757**	**3,766**	**61,523**
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	$	-	-	-
Depreciation for the year		1,372	628	2,000
Impairment loss/Reversal of impairment loss		(60)	-	(60)
Balance at December 31, 2019	**$**	**1,312**	**628**	**1,940**
Carrying amount:				
Balance at December 31, 2019	**$**	**56,445**	**3,138**	**59,583**

(l) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of Group in 2018 and 2017 are as follows:

		Good will	Trademark	Gom puter Software	Total
Costs:					
Balance at January 1, 2019	$	43,293	6,974	100,158	150,425
Additions		-	-	11,572	11,572
Transfer to non-turrent assets held for sale (or disposal group)			-	(365)	(365)
Effect of movement in exchange rates		-	-	(235)	(235)
Balance at December 31,2019	**$**	**43,293**	**6,974**	**111,130**	**161,397**
Balance at January 1, 2018	$	67,470	6,974	94,543	168,987
Additions		-	-	9,918	9,918
Transfer to non-turrent assets held for sale (or disposal group)		(24,177)	-	(4,126)	(28,303)
Effect of movement in exchange rates		-	-	(177)	(177)
Balance at December 31,2018	**$**	**43,293**	**6,974**	**100,158**	**150,425**

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	Good will	Trademark	Gom puter Software	Total
Amortization and impairment Loss:				
Balance at January 1, 2019	$ -	6,974	86,948	93,922
Amortization for the year	-	-	9,359	9,359
Transfer to non-turrent assets held for sale (or disposal group)	-	-	(365)	(365)
Effect of movement in exchange rates	-	-	(100)	(100)
Balance at December 31, 2019	**$ -**	**6,974**	**95,842**	**102,816**
Balance at January 1, 2018	$ -	6,974	82,431	89,405
Amortization for the year	-	-	8,535	8,535
Transfer to non-turrent assets held for sale (or disposal group)	-	-	(3,916)	(3,916)
Effect of movement in exchange rates	-	-	(102)	(102)
Balance at December 31, 2018	**$ -**	**6,974**	**86,948**	**93,922**
Carrying value:				
Balance at December 31, 2019	**$ 43,293**	**-**	**15,288**	**58,581**
Balance at January 1, 2018	**$ 67,470**	**-**	**12,112**	**79,582**
Balance at December 31, 2018	**$ 43,293**	**-**	**13,210**	**56,503**

(i) Amortization

The amortizations of intangible assets are included in the statement of comprehensive income:

	2019	2018
Operating cost	$ 1,841	377
Operating expense	7,518	8,085
Discontinued operating expense	-	73
	$ 9,359	**8,535**

(ii) Disclosure on pledges

As of December 31, 2019 and 2018, the intangible assets of the Group were not pledged as collateral.

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

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

	December 31, 2019	December 31, 2018
Other current assets, others:		
Prepayments	$ 44,912	58,321
Tax refund receivable	41,379	68,791
Prepayment and Payment on behalf of others	21,323	12,163
	$ 107,614	**139,275**

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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	December 31, 2019	December 31, 2018
Other non-current assets:		
Prepayment for equipment	$ 61,067	43,030
Other	3,006	1,822
	$ 64,073	**44,852**

(n) **Short-term borrowings**

The details of short-term borrowings are as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 108,000	408,960
Secured bank loans	534,842	396,000
Total	**$ 642,842**	**804,960**
Unused credit lines	**$ 1,345,677**	**1,048,952**
Range of interest rate	**1.40%~4.57%**	**1.25%~4.75%**

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

(o) Other current liabilities

The details of other current liabilities are summarized as follows.

	December 31, 2019	December 31, 2018
Advance receipts-stock selling	$ -	408,649
Advance receipts-other	3,572	6,364
Temporary receipt	97,413	79,819
Other	5,370	3,871
	$ 106,355	**498,703**

(i) Advance receipts-stock selling related instructions, please refer to Note 6(g).

(ii) Temporary receipt is mainly receive mold sharing payment.

(p) **Long-term borrowings**

The details of long-term borrowings are as follows:

	December 31, 2019			
	Currency	Interest rate	Expiration	Amount
Unsecured bank loans	USD	4.08%	2022	$ 125,317
Secured bank loans	NTD	2.10%~2.35%	2022	8,611
				133,928
Less : current portion				(52,501)
Total				**$ 81,427**
Unused credit lines				**$ 630,000**

	December 31, 2018			
	Currency	Interest rate	Expiration	Amount
Unsecured bank loans	NTD	1.50%~2.35%	2019~2021	$ 195,112
Secured bank loans	NTD	1.87%~2.385%	2020~2023	282,500
				477,612
Less: current portion				(244,680)
Total				**$ 232,932**
Unused credit lines				**$ -**

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

(q) **Lease liabilities**

	December 31, 2019
Current	**$ 1,241**
Non-current financial assets	**$ 1,914**

For the maturity analysis, please refer to note z.

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	**$ 39**

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

	2019
Total cash outflow for leases	**$ 650**

The lease period for the company lease vehicles is three years.

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(r) **Provisions**

		Warranties
Balance at January 1, 2019	$	41,327
Provisions made during the year		229,759
Provisions reversed during the year		(104,244)
Balance at December 31, 2019	$	**166,842**
Balance at January 1, 2018	$	52,834
Provisions made during the year		47,451
Provisions reversed during the year		(58,958)
Balance at December 31, 2018	$	**41,327**

The provision for warranties relates mainly to automatic facilities and fitness equipment sold for the years ended December 31, 2019 and 2018. 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.

(s) **Employee benefits**

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and plan asset at fair value are as follows:

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$	391,438	448,074
Fair value of plan assets		(396,649)	(318,421)
Net defined benefit liability	**$**	**(5,211)**	**129,653**

The Group's employee benefit liabilities are as follows:

		December 31, 2019	December 31, 2018
Vacation liability	**$**	**15,985**	**15,985**

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

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1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of the Labor Funds, Ministry of Labor. With regards to the utilization of the funds, minimum shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group' s Bank of Taiwan labor pension reserve account balance amounted to \$396,649 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

		2019	2018
Defined benefit obligation at January 1	$	448,074	339,994
Current service costs and interest		8,085	7,345
Remeasurements of the net defined benefit liability (asset)			
—Due to experience adjustments of actuarial (losses) gains		(9,714)	27,352
—Due to changes in financial assumption of actuarial (losses) gains		(37,196)	111,859
Benefits paid by the plan		(17,811)	(38,476)
Defined benefit obligation at December 31	$	**391,438**	**448,074**

3) Movements of defined benefit plan assets

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

		2019	2018
Fair value of plan assets at January 1	$	318,421	286,367
Interest income		3,304	4,067
Remeasurement of the net defined benefit liability (asset)			
—Return on plan assets (excluding interest income)		10,793	6,538
Benefits paid from the plan		81,942	59,080
Expected return on plan assets		(17,811)	(37,631)
Fair value of plan assets at December 31	$	**396,649**	**318,421**

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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4) The expenses recognized in profit or loss

The expenses recognized in profits or losses for the Group were as follows:

	2019	2018
Current service costs	$ 3,333	3,051
Net interest of the net defined benefit liability (asset)	1,448	227
	$ 4,781	3,278
Operating Cost	$ 4,042	1,717
Selling expenses	146	254
Administration expenses	384	895
Research and development expenses	209	412
	$ 4,781	3,278

5) Remeasurement in net defined benefit liability (asset) recognized in other comprehensive income

The Group's remearement in the net defined benefit liability (asset) recognized in other comprehensive income for the years 2019 and 2018 were as follows:

	2019	2018
Cumulative amount at January 1	$ (199,104)	(66,431)
Recognized during the period	57,703	(132,673)
Accumulated amount at December 31	$ (141,401)	(199,104)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows.

	December 31, 2019	December 31, 2018
Discount rate	1 %	1.125 %
Future salary increases rate	4 %	5 %

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 $1,828.

The weighted average duration of the defined benefit obligation is 13.24 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligation	
		Increase0.25%	**DDecrease0.25%**
December 31, 2019			
Discount rate	$	(10,352)	10,776
Future salary increases		10,264	(9,922)
December 31, 2018			
Discount rate	$	(10,957)	11,394
Future salary increases		10,676	(10,333)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(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 these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $18,551 and $14,340 for the years ended December 31, 2019 and 2018, respectively.

Except for the group and Rexon Technology Corp., Ltd., other subsidiaries(except for discontinued operation) adopted the defined contribution method under their local law, and accordingly, the pension costs were $5,595 and $7,139, include discontinued operation's pension costs were $0 and $94 for the years ended December 31, 2019 and 2018, respectively.

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(t) **Income taxes**

The components of income tax in the years 2019 and 2018 were as follows:

		2019	2018
Current income tax expense			
Current period	$	149,320	108,319
Adjustment for prior periods		33,102	14,381
	$	**182,422**	**122,700**
Deferred tax expense			
Origination and reversal of temporary differences		2,183	(4,729)
Adjustment in tax rate		-	(4,044)
		2,183	(8,773)
Income tax expense (excluding tax expense arising from profit of selling the discontinued operation)	$	**184,605**	**113,927**
Tax expense from continuing operations	$	184,605	113,927
Tax expense arising from profit of selling the discontinued operation		90,418	-
	$	**275,023**	**113,927**

The amounts of income tax recognized directly in other comprehemsive income for the 2019 and 2018 were as follows:

		2019	2018
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation	$	**(25,323)**	**(1,763)**

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Reconciliation of income tax expense and profit before tax for 2019 and 2018 was as follows:

	2019	2018
Profit excluding income tax	$ 742,973	575,131
Income tax using the Company's domestic tax rate	312,484	102,764
Adjustment in tax rate	-	(4,044)
Other tax effect generated from adjustment of tax rule	(12,957)	(10,675)
Tax effect of investment loss generated from investment accounted for using equity method	(57,606)	8,961
Underestimation in prior periods	33,102	16,921
Income tax on gain on sale of discontinued operation	90,418	-
Tax expense (excluding tax expense arising from profit of selling the discontinued operation)	**$ 184,605**	**113,927**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

As of December 31, 2019, deferred tax assets have not been recognized in respect of the deductible temporary differences arising from the investment in subsidiaries, because it is not probable that the future taxable profit will be available against which the subsidiaries can utilize the benefits therefrom. Details are as follows:

	December 31, 2018
Aggregate amount of temporary differences related to investments in subsidiaries	**286,564**
Unrecognized deferred tax assets	**57,313**

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

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	**$ 5,111**	**5,111**

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2) Recognized deferred tax assets and liabilities

The movement for the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

		Unrealized inventory valuation loss	Warranty provision	Fair value loss	Exchange on translation of foreign financial statement	Other	Total
Deferred tax assets:							
Balance at January 1, 2019	$	18,768	8,266	2,646	183	2,011	31,874
Recognized in profit or loss		(9,600)	25,103	2,515	-	(1,595)	16,423
Recognized in other comprehensive income		-	-	-	25,323	-	25,323
Balance at December 31, 2019	**$**	**9,168**	**33,369**	**5,161**	**25,506**	**416**	**73,620**
Balance at January 1,2018	$	11,622	8,982	-	-	4,471	25,075
Recognized in profit or loss		7,146	(716)	2,646	-	(2,460)	6,616
Recognized in profit loss		-	-	-	183	-	183
Balance at December 31, 2018	**$**	**18,768**	**8,266**	**2,646**	**183**	**2,011**	**31,874**

		Exchange differences on translation of foreign financial statements	Fair value gains	Unrealized Profits and Losses	Total
Deferred tax liabilities:					
Balance at January 1, 2019	$	-	-	-	-
Recognized in profit or loss		-	2,351	16,255	18,606
Balance at December 31, 2019	**$**	**-**	**2,351**	**16,255**	**18,606**
Balance at January 1, 2018	$	1,580	2,157	-	3,737
Recognized in profit or loss		-	(2,157)	-	(2,157)
Recognized in other comprehensive income		(1,580)	-	-	(1,580)
Balance at December 31, 2018	**$**	**-**	**-**	**-**	**-**

3) Examination and approval

The income tax returns of the group and Rexon Tech. have been examined by the tax authorities through for the year 2017.

(u) **Capital and other equity**

As of December 31, 2019 and 2018, the authorized capital totaled $3,800,000 thousands, and the total paid-in capital amounted to $1,814,735; with a par value of NT$10 per share on common stock.

Reconciliation of shares outstanding for the years ended December 31, 2019 and 2018 were as follows:

	Ordinary shares	
(In thousands of shares)	**2019**	**2018**
Balance at January 1(equals to balance at December 31)	$ 181,473	181,473

(i) Capital Surplus

Balance of capital surplus was as following:

	December 31, 2019	December 31, 2018
Treasury share transactions	$ 433	433

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) 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.

For the distribution of dividends, the Group shall first take cash dividends into consideration, and stock dividends is available to be paid as well. After the appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. Only the stock dividends shall not be more than 50% of total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. A portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for the 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, the special reserve were $0 and $1,376 for the years ended December 31, 2019 and 2018, respectively.

3) Earnings distribution

The earnings distribution for 2018 and 2017 was decided by the general meeting of shareholders held on May 21, 2019, and May 24, 2018 as follows:

	2018		2017	
	Amount per share	**Tota amount**	**Amount per share**	**Tota amount**
Dividends distributed to common shareholders:				
Cash	$ 2.0	362,947	1.2	217,768

(iii) Treasury shares

In accordance with the requirements of the Securities and Exchange Act, the Shares of parent Company held by subsidiary should be taken as treasury stock. If the market price of the Compay's shares are lower than the carrying amount, the Company's should calculate the valuation loss based on the percentage of shareholding, and recognizes it in special reserve, which can't be allocated. The Company could reverse the special reserve based on the percentoge of shareholding if there is a shbsequent recovery of the fair value.

The aforementioned recognization and reversal to special reserve and other non-treasury-stock deduction to equity should be together dealt with.

The shares of treasury stock sold by Rexon Tech in July 2012 amounted to $2,010 with a disposal gain amounting to $541. The group recognized the capital reserve amounting to $433 in 2012.

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(iv) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Total
Balance at January 1, 2019	(150,713)	78,824	90,815	18,926
Exchange differences on foreign operations	(10,400)	-	(90,815)	(101,215)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(3,548)	-	(3,548)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	36,169	-	36,169
Balance at December 31, 2019	$ **(161,113)**	**111,445**	**-**	**(49,668)**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Equity related to non-current assets classified as held for sale	Tota
Balance at January 2018	$ (51,452)		50,076	-	(1,376)
Effects of retrospective application	-	50,076	(50,076)	-	-
	(51,452)	50,076	-	-	(1,376)
Exchange differences on translation of foreign	(99,261)	-	-	90,815	(8,446)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(187)	-	-	(187)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	28,935	-	-	28,935
Balance at December 31, 2018	$ **(150,713)**	**78,824**	**-**	**90,815**	**18,926**

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(v) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for years 2019 and 2018 were as follows:

(i) Basic earnings per share

	2019	2018
Net Profit attributable to the Company-continuing operations	$ 558,203	460,955
Net loss attributable to the company-discontinued opration	713,994	(62,227)
Net profit attributable to ordinary shaleholders of the company.	**$ 1,272,197**	**398,728**
Weighted-average number of ordinary shares	**181,473**	**181,473**

	2019	2018
Bisic earnings per share		
Net profit from continuing operations	$ 3.08	2.54
Net profit from discontinued operation	3.93	(0.34)
	$ 7.01	**2.20**

	2019	2018
Diluted earuings per share		
Net Profit attributable to the Company-continuing operations	$ 558,203	460,955
Net profit attributable to the Company-discontinued operation	713,994	(62,227)
Net profic attributable to ordinry	**$ 1,272,197**	**398,728**
Weighted-average number of ordinary shares	181,473	181,473
Effect of restricted employee shares unvested	1,204	464
Weighted average number of ordinary shares (diluted) at Dember 31	**182,677**	**181,937**
Diluted earnings per share		
Net pforit from cotinuing operation	$ 3.05	2.53
Net loss from discontinued operation	3.91	(0.34)
	$ 6.96	**2.19**

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Notes to the Consolidated Financial Statements

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

(i) Details of revenue

		2019	2018
Primary geographical markets			
America	$	7,240,898	5,859,238
Europe		179,875	138,572
Asia		473,075	177,948
Other		8,237	9,830
Less : Revenue of disposal group		-	(76)
	$	7,902,085	6,185,512
Major products/services lines			
Woodworking tools	$	2,005,629	2,181,574
Fitness equipment		5,671,497	3,766,921
Other		224,959	237,093
Less : Revenue of disposal group		-	(76)
	$	7,902,085	6,185,512

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities	$ 25,516	16,355	10,157

The amount of revenue recognized for the year ended December 31, 2019 and December 31, 2018 that was included in the contract liability balance at the beginning of the period was $9,950 and $3,625.

Contract liabilities mainly arise from the deferred revenue from sales contract of woodworking tools and fitness equipment. The Group will recognize revenue when the goods are transferred to customers.

(x) **Employee compensation and directors' and supervisors' remuneration**

In accordance with the Articles of incorporation, the Company should contribute no less than 5% of the profit as employee compensation and less than 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to $80,500 and $27,500, and directors' and supervisors' remuneration amounting to $16,000 and $9,000 respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

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

(i) Other income

The details of other income for the years 2019 and 2018 were as follows:

	2019	2018
Interest income－bank deposits	$ 6,141	3,555
Gains on write-off of accounts payable	49,009	53,057
Dividend income	13,130	9,182
Other	8,727	15,768
Less : other income of disposal group	-	(7,291)
	$ 77,007	74,271

(ii) Other income and losses

The details of other income and losses for the years 2019 and 2018 were as follows:

	2019	2018
Net foreign exchange gains	$ (40,157)	28,073
Net (gains) losses on disposal of properey, plant and equipment	(13,144)	(41,188)
Gain on measurement of financial assets measured at fair value through profit or loss	52,009	(1,040)
Other	(1,532)	-
Less : other income and losses of disposal group	-	9,175
	$ (2,824)	(4,980)

(iii) Finance expenses

The details of finance expenses for the years 2019 and 2018 were as follows:

	2019	2018
Interest expenses－bank borrowings	$ (25,834)	(38,411)
Less: capitalization of interest	370	260
	$ (25,464)	(38,151)

(Continued)

(z) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum exposure to credit risk.

2) Concentration of credit risk

Major clients of the Group are concentrated in automatic facilities market. To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. As of December 31, 2019 and 2018, four and three customers accounted for 80% of accounts receivable resulted in concentration of credit risk.

3) Receivables

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	1-12months	1-2 years	2-5 years
December 31, 2019					
Non-derivative financial liabilities					
Secured bank loans	$ 534,842	537,800	537,800	-	-
Unsecured loans	241,928	255,701	166,266	57,795	31,640
Leased assets (current and non-current)	3,155	3,246	1,298	1,948	-
Other payable	1,964,047	1,964,047	1,964,047		
	$ 2,743,972	**2,760,794**	**2,669,411**	**59,743**	**31,640**
December 31, 2018					
Non-derivative financial liabilities					
Secured bank loans	$ 678,500	691,654	546,609	99,061	45,984
Unsecured loanse	604,072	614,265	522,504	64,747	27,014
Other payable	2,255,062	2,255,062	2,255,062	-	-
	$ 3,537,634	**3,560,981**	**3,324,175**	**163,808**	**72,998**

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2019			December 31, 2018		
	Foreign Currency	**Exchange Rates**	**New Taiwan Dollars**	**Foreign Currency**	**Exchange Rates**	**New Taiwan Dollars**
Financial Assets						
Monetary items						
USD	$ 96,605	29.98	2,896,218	101,926	30.72	3,131,167
EUR	50	33.59	1,680	112	35.20	3,942
JPY	118,809	0.2760	32,792	75,264	0.2782	20,938
GBP	3	39.36	118	245	38.88	9,526
Financial Liabilities						
Monetary items						
USD	12,635	29.98	378,797	13,113	30.72	402,831
EUR	-	-	-	542	35.20	19,078

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, accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the TWD against the USD, EUR, JPY, and GBP as of December 31, 2019 and 2018 would have increased (decreased) the net profit after tax by $20,416 and $21,949, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

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 years 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to $(40,157) and $28,073, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management and the 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.

Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding 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 the internal management, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases/decreases by 1%, with all other variable factors remaining constant, the Group’s net income would have increase/decrease by $7,768 and $12,999 for the years ended December 31, 2019 and 2018, respectively. This is mainly due to the Group’s borrowings in variable rates.

(v) Other market price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2019		2018	
Prices of securities at the reporting date	**Othe comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 2,197	103	1,881	93
Decreasing 1%	$ (2,197)	(103)	(1,881)	(93)

(vi) 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 :

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	December 31, 2019				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 107,046	106,950	-	96	107,046
Financial assets at fair value through other comprehensive income					
Stocks in listed companies	219,720	219,720	-	-	219,720
Financial assets measured at amortized cost					
Cash and cash equivalents	2,137,750	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	1,079,395	-	-	-	-
Deposit	1,823	-	-	-	-
	$ 3,545,734	**326,670**	**-**	**96**	**326,766**
Financial liabilities at amortized cost					
Short-term borrowings	$ 642,842	-	-	-	-
Notes payable, accounts payable, and other payable(including related parties)	1,964,047	-	-	-	-
Long-term borrowings, current portion	52,501	-	-	-	-
Loan-term borrowings	81,427	-	-	-	-
Leases asset	3,155	-	-	-	-
	$ 2,743,972	**-**	**-**	**-**	**-**

	December 31, 2018				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 366,748	366,652	-	96	366,748
Financial assets at fair value through other comprehensive income					
Stocks in listed companies	188,135	188,135	-	-	188,135
Financial assets measured at amortized cost					
Cash and cash equivalents	1,396,507	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	1,679,473	-	-	-	-
Deposit	353	-	-	-	-
	$ 3,631,216	**554,787**	**-**	**96**	**554,883**

(Continued)

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	December 31, 2018				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Short-term borrowings	$ 804,960	-	-	-	-
Notes payable, accounts payable, and other payable(including related parties)	2,255,062	-	-	-	-
Long-term borrowings, current portion	244,680	-	-	-	-
Loan-term borrowings	232,932	-	-	-	-
	$ 3,537,634	-	-	-	-

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

The Group estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

Financial liabilities 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.

Financial instruments trade in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market.

If a financial instrument is not accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed common shares and funds held by the Group are determined by reference to the market quotation.

4) Transfer between Level 1 and Level 2

There were no transfers from one level to another in 2019 and 2018.

(Continued)

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 include "financial assets measured at fair value through profit or loss – equity investments". Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss –equity investment with inactive market	Net Asset Value Method	– Net Asset Value	– Not applicable

(aa) **Financial risk management**

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and adjectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative financial instruments in accordance with the Group's policy on risks arising from financial instruments such as credit risk, currency risk, and interest rate risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group's policies and the risk management's policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(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 investment securities.

1) Accounts receivable and other receivables

Te Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Group will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Group continuously monitors the exposure to credit risk and counterparty credit ratings, and establish sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

The Group did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

2) Investments

The exposure to credit risk for 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. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As of December 31, 2019 and 2018, the Group provided financial guarantee to its subsidiaries amounted to $149,900 and $230,400, respectively.

(iv) Liquidity risk

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 to ensure they are in compliance with the terms of the loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. The Group has unused long-term and short-term bank facilities of $1,975,677 and $1,048,952 as of December 31, 2019 and 2018, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices that 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.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are the NTD, EUR, USD, GBP and JPY.

2) Interest rate risk

The Group maintains an appropriate proportion of the fixed and variable interest rate instruments and using interest rate swap contracts to mitigate the floating interest rate risk. The Group will assess the hedging activities for consistent interest rates within its risk preferences and use the most cost-effective hedging strategy on a regular basis.

3) Other market price risk

Please refer to note 6(z) for the sensitivity analysis of equity price risk.

(ab) **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 liabiltiies.

The Group and other entities in the simialr industry 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 are 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 December 31, 2019, the Group's capital management strategy is consistent with the prior year as of December 31, 2018. The Group's debt to equity ratio as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 3,452,944	4,460,539
Less: cash and cash equivalents	(2,137,750)	(1,396,507)
Net debt	1,315,194	3,064,032
Total equity	3,451,490	2,549,559
Total capital	**$ 4,766,684**	**5,613,591**
Debt to equity ratio	**28%**	**55%**

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

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2019 and 2018, were as follows:

	January 1,2019	Cash flows	Non-cash changes: Acquistion	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	December 31,2019
Long-term borrowings	$ 477,612	(345,241)	-	1,557	-	133,928
Short-term borrowings	804,960	(148,209)	-	(13,909)	-	642,842
Lease liabilities	-	(611)	3,766	-	-	3,155
Total liabilities from financing	**$ 1,282,572**	**(494,061)**	**3,766**	**(12,352)**	**-**	**779,925**

	January 1,2018	Cash flows	Non-cash changes: Acquistion	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	December 31,2018
Long-term borrowings	$ 821,728	(336,161)	-	(7,955)	-	477,612
Short-term borrowings	1,000,911	(202,697)	-	6,746	-	804,960
Total liabilities from financing	**$ 1,822,639**	**(538,858)**	**-**	**(1,209)**	**-**	**1,282,572**

(7) Related-party transactions:

(a) Names and relationship with related parties

(i) 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.

Name of related parey	Relationship with the Group
Fine Clear Co.,Ltd	An associate

(b) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales transactions between the Group and the related parties were as follows:

	2019	2018
Associates－Fine Clear Co., Ltd	**$ 64,136**	**40,571**

Prices of related-party sales were incomparable with other sales because the Group did not have similar sales to unrelated parties. Terms collection periods of selling offered to related parties and general customers are 150 days and 30-120 days, respectively. Receivables from related parties were not secured with collateral and did not require provisions for bad debt expenses.

ii) Receivables from related-parties

Account	Related-party type	December 31, 2019	December 31, 2018
Notes receivable	Associates－Fine Clear Co., Ltd	$ 10,740	8,504
Accounts receivable	Associates－Fine Clear Co., Ltd	22,820	20,047
		$ 33,560	**28,551**

iii) Payables to related-parties

Account	Related-party type	December 31, 2019	December 31, 2018
Notes payable	Associates－Fine Clear Co., Ltd	$ 631	350
Other payables	Associates－Fine Clear Co., Ltd	134	95
		$ 765	**445**

(c) Key management personnel compensation

	2019	2018
Short-term employee benefits	$ 28,312	29,310
Post-employment benefits	693	510
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	$ 29,005	**29,820**

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2019	December 31, 2018
Land	Guarantee for bank loans	$ 296,442	293,176
Buildings	Guarantee for bank loans	919,711	590,924
		$ 1,216,153	**884,100**

(9) Significant commitments and contingencies:

The Group's unrecognized contractual commitments were as follows:

	December 31, 2019	December 31, 2018
Purchase property, plant and equipment	**$ 21,023**	**6,738**

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(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

The outbreak of Coronavirus disease (COVID-19) in early 2020 caused uncertainty in the operating environment of the Group in China, and affected the operation of the Group. But because the relevant information is still unclear, it is impossible to reasonably anticipate the amount of impact to operating results and financial position, the Group will continue to pay attention to the development of the incident for immediate assessment.

(12) Other:

(a) The followings are the summary statement of the current period employee benefits, depreciation, depletion, and amortization expenses by function:

By function	2019				2018			
By item	**Operating cost**	**Operating expenses**	**Disposal group expense**	**Total**	**Operating cost**	**Operating expenses**	**Disposal group expense**	**Total**
Employee benefits								
Salary	450,658	294,931	-	745,589	375,865	236,225	771	612,861
Labor and health insurance	37,572	19,099	-	56,671	29,858	18,632	96	48,586
Pension	19,943	8,984	-	28,927	16,367	8,296	94	24,757
Others	9,334	1,701	-	11,035	9,633	1,850	-	11,483
Depreciation	110,802	25,116	-	135,918	96,973	18,373	7,085	122,431
Amortization	1,841	7,518	-	9,359	377	8,085	73	8,535

(b) Discontinued operation

On November 8, 2018, the board of directors passed the resolution of selling the shares of Motomax Hong Kong and its indirect investment in Hangzhou Liwu Machinery & Electric Co., Ltd, through the Company’s subsidiary- Gold Item Group Ltd. The procedures of the settlement has been finished on March 5, 2019.

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		2019	2018
Results from operating activities:			
Operating revenue	$	-	76
Operating expenses		-	(94)
Nross profit from operation		-	(18)
Operating expenses		-	(60,325)
Net operating loss		-	(60,343)
Non-operating income and expenses		-	(1,884)
Profit before income tax		-	(62,227)
Income tax expense		-	-
Profit (Loss) from continuing operations		-	(62,227)
Gain on sale of discontinued operation		804,412	-
Income tax on gain on sale of discontinued operation		(90,418)	-
Profit	**$**	**713,994**	**(62,227)**
Basic earnings per share	**$**	**3.91**	**(0.34)**
Diluted earnings per share	**$**	**3.91**	**(0.34)**

		2019	2018
Cash flows from (used in) discontinued operation:			
Net cash from operating activities	$	-	(502)
Net cash from investing activities		410,111	2,811
Net cash flows from financing activities		-	-
Net cash inflow (outflow)	**$**	**410,111**	**2,309**

(Continued)

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

(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:

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:

(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	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										
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	2	1,372,292	(USD7,500) 231,750	(USD5,000) 149,900	(USD5,000) 149,900	-	4.37 %	1,372,292	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 December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Shares/Units (thousands)	Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value			
REXON INDUSTRIAL CORP., LTD.	Stock – Mega Holdings		Financial assets at fair value through profit or loss-current	5	141	- %	141	5	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –Taiwan Fu Hsing Industrial Co., Ltd.		Financial assets at fair value through profit or loss-current	0.4	19	- %	19	0.4	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –China Steel Corporation.		Financial assets at fair value through profit or loss-current	68	1,615	- %	1,615	68	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –United Microelectronics Corp.		Financial assets at fair value through profit or loss-current	146	2,408	- %	2,408	146	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –Chung Hung Steel Corporation		Financial assets at fair value through profit or loss-current	171	1,823	- %	1,823	171	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –Johnson Health Tech		Financial assets at fair value through profit or loss-current	12	993	- %	993	12	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –AU Optronics Corporation		Financial assets at fair value through profit or loss-current	119	1,196	- %	1,196	119	- %	
REXON INDUSTRIAL CORP., LTD.	Stock – Evergreen Marine Corporation		Financial assets at fair value through profit or loss-current	76	940	- %	940	76	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –EVA Airways Corp.		Financial assets at fair value through profit or loss-current	85	1,165	- %	1,165	85	- %	
REXON INDUSTRIAL CORP., LTD.	Stock-Hwa Chung Venture Capital Corp.		Financial assets at fair value through profit or loss-current	10	96	- %	96	10	- %	

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Shares/Units (thousands)	Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value			
REXON INDUSTRIAL CORP., LTD.	LGT GIM Growth (USD) B		Financial assets at fair value through profit or loss-current	-	-	- %	-	0.38	- %	
REXON INDUSTRIAL CORP., LTD.	LGT Select Convertible (USD) B		Financial assets at fair value through profit or loss-current	0.65	33,951	- %	33,951	0.65	- %	
REXON INDUSTRIAL CORP., LTD.	LGT Select Equit Enhanced Minimum Varian (USD) B		Financial assets at fair value through profit or loss-current	0.75	29,266	- %	29,266	0.75	- %	
REXON INDUSTRIAL CORP., LTD.	LGT Strategy 2 Years (EUR) B		Financial assets at fair value through profit or loss-current	-	-	- %	-	2.50	- %	
REXON INDUSTRIAL CORP., LTD.	LGT Select Equity Enhanced Minimum Variance (USD)		Financial assets at fair value through profit or loss-current	0.86	33,433	- %	33,433	0.86	- %	
REXON INDUSTRIAL CORP., LTD.	LGT Select Equity North America (USD) B		Financial assets at fair value through profit or loss-current	-	-	- %	-	0.58	- %	
Subtotal				-	**107,046**		**107,046**			
REXON IDUSTRIAL CORP., LTD	Stock-Falcon Machine Tools Co.,LTD		Financial assets at fair value through other comprehensive income-current	3,832	37,862	4.98 %	37,862	3,832	4.98 %	
Subtotal					**37,862**		**37,862**			
REXON IDUSTRIAL CORP., LTD	Stock-ASIX Electronics Corporation		Financial assets at fair value through other comprehensive income-non-current	4,792	181,858	8.8 %	181,858	4,888	8.98 %	
Subtotal					**219,720**		**219,720**			

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Gold Item	Motomax Hong Kong	Non-current assets classified as held for sale	Individual	Non Related-party	107,640	105,376	-	-	107,640	818,760	105,719	804,412	-	-

(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:

(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 of merge	Purchase	1,310,762	22 %	90~150Days	Note 1	Note 2	(219,639)	(13)%	

Note1：Prices of related-party sales were incomparable with other shles because the Group did not have similar sales to unrelated parties.

Note2：The period of payment 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.

(Continued)

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature 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.	The Company is a corporate shareholder that indirectly holds more than 50% of the company's equity	Account receivable 219,639	6.15	-		The recovery amount as of January 15, 2020 : 120,173	-

(ix) Trading in derivative instruments:None

(x) Business relationships and significant intercompany transactions:

(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	1,310,762	The sales prices and payment terms were by agreement	16.59%
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Accounts payable	219,639	The sales prices and payment terms were by agreement	3.19%
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Purchases	76,011	The sales prices and payment terms wereby agreement	0.96%
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Accounts payable	15,022	The sales prices and payment terms wereby agreement	0.22%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Service fee	46,291	The sales prices and payment terms were by agreement	0.59%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Other payable	74,061	The sales prices and payment terms were by agreement	1.08%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Sales	5,726	The sales prices and payment terms were by agreement	0.07%
2	Hangzhuo kanji Trading Co., Ltd.	Tongxiang Rexon	3	Sales	7,787	The sales prices and payment terms were by agreement	0.10%

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Highest Shars/Units (thousands)	Highest Percentage of wnership(%)	Note
				December 31, 2019	December 31, 2018	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	16.00 %	16,707	3,310	530	1,600	16.00 %	Investment Using Equity Method
REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd. (Rexon Tech)	R.O.C	Manufacture and sale of electric components	291,106	291,106	7,588	80.09 %	60,662	1,166	933	7,588	80.09 %	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	U.S.A	Merchandise trading	196,465	196,465	0.1	96.00 %	160,591	(1,690)	(1,622)	0.10	96.00 %	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Gold Item Group Ltd.	British Virgin Islands	Investing and holding	747,858	1,114,954	US$25,000 (Note 1)	100.00 %	794,651	809,754	809,754	US$35,606 (Note 1)	100.00 %	Direct subsidiaries of the Company
Gold Item	Motomax Hong Kong	Hong Kong	Investing and holding	-	US$10,606	-	(Note 2)	-	-	-	USD 10,606	100.00 %	Direct subsidiaries of Gold Item

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Highest Shars/Units (thousands)	Highest Percentage of wnership(%)	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of wnership	Carrying value					
Gold Item	Gold Tech Group Ltd.	Hong Kong	Investing and holding	US$25,000	US$25,000	US$25,000 (Note 1)	100.00 %	774,182	5,645	5,645	US$25,000 (Note 1)	100.00 %	Direct subsidiaries of Gold Item
Rexon Technology Corp., Ltd.	Rexon Technology Ltd.(Brunei)	Brunei	Investing	24,151	24,151	US$700 (Note 1)	100.00 %	-	-	-	US$700 (Note 1)	100.00 %	Direct subsidiaries of Gold Item

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

Note2：On March 5, 2019, the company's subsidiary-Gold Interal Group Ltd. sold the shares of the company.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Highest balance during the year		Accumulated remittance of earnings in current period
					Outflow	Inflow						Shares Units	Percentage of ownership	
Hangzhou Liwu Machinery & Electric Co., Ltd.(Hangzhou Liwu)	Manufacture and sale of audit-visual equipment woodworlung tools, and Components of grinclers	RMB 100,007 USD 12,200 -	Indirectly owned by the company	USD 11,454 NTD 367,096	-	US$ 11,454 (NT$367,096)	-	-	-%	-	-	- NTD 367,096	100.00 %	USD 15,112 NTD 452,088
Tongxiang Rexon	Manufacture of drills, woodworking tools and fitness equipment	RMB 154,465 USD 25,000 -	Indirectly owned by the company	USD 25,000 NTD 745,565	-	-	USD 25,000 NTD 745,565	5,645	100.00%	5,645	774,182	USD25,000 NTD 745,565	100.00 %	-
Hangzhou Kanji Trading Co., Ltd.	Manufacture of drills woodworking tools, and fitness equipment	RMB 3,085 USD 500 -	Direct subsidiaries of the Company	USD 500 NTD 14,975	-	US$ 11 (NTD$349)	-	(2,745)	-	(2,745)	-	USD 500 NTD 14,975	100.00 %	-
Rexon Technology Ltd. (Shanghai)	Manufacture and sale of radio communication equipment	RMB 5,792 NTD 24,192	Indirectly owned by the Rexon Technology Ltd. (Brunei)	USD 700 NTD 22,820	-	-	USD 700 NTD 22,820	-	100.00%	-	-	USD 700 NTD 22,820	100.00 %	-

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
REXON INDUSTRIAL CORP., LTD.	US$25,000 (NT$745,565)	US$25,000 (NT$745,565)	2,058,437
Rexon Technology Ltd. (Brunei)	US$700 (NT$22,820)	US$700 (NT$22,820)	45,797

(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".

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

(14) Segment information:

(a) General information

The Group has only one reportable segment which is automatic facilities and fitness equipment segment. The automatic facilities and fitness equipment segment engages mainly in the manufacturing and selling of drills, woodworking tools, automatic facilities, and fitness equipment.

On November 8, 2018, the board of directors passed the resdution of selling the share of Motomax Hong Kong and its indirect investment in Hangzhou Liwu Machinery & Electric Co., Ltd., so express disposal group and operating segments.

(b) Reportable information of segment's profit, assets, liabilities, and the measurement basis:

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine the resource allocation and make a performance evaluation.

The segment profit includes depreciation and amortization expenses, income tax expense (income), unusual profit (loss), and other significant non-monetary items. The reporting amount is the same with that of the chief operating decision maker use.

Accounting policies for the operating segments correspond to those stated in note 4.

The Group's operating segment information was as follows:

2019	**Automatic facilities and fitness equipment Segment**	**Discontinued Operation**	**Adjustments and elimination**	**Total**
Revenue				
Revenue from external customers	$ 7,902,085	-	-	7,902,085
Intersegment revenues	-	-	-	-
Interest revenue	6,141	-	-	6,141
Total revenue	$ 7,908,226	-	-	7,908,226
Interest expenses	$ 25,464	-	-	25,464
Depreciation and amortization	$ 146,277	-	-	146,277
Reportable segment profit or loss	**$ 558,368**	**713,994**	**-**	**1,272,362**
Reportable segment assets	**$ 6,904,434**	**-**	**-**	**6,904,434**
Reportable segment liabilities	**$ 3,452,944**	**-**	**-**	**3,452,944**

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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2018	Automatic facilities and fitness equipment Segment	Discontinued Operation	Adjustments and elimination	Total
Revenue				
Revenue from external customers	$ 6,185,512	76	-	6,185,588
Intersegment revenues	-	-	-	-
Interest revenue	3,531	24	-	3,555
Total revenue	**$ 6,189,043**	**100**	**-**	**6,189,143**
Interest expenses	**$ 38,151**	**-**	**-**	**38,151**
Depreciation and amortization	**$ 123,808**	**7,158**	**-**	**130,966**
Reportable segment profit or loss	**$ 461,204**	**(124,506)**	**62,279**	**398,977**
Reportable segment assets	**$ 6,900,244**	**109,854**	**-**	**7,010,098**
Reportable segment liabilities	**$ 4,456,062**	**4,478**	**-**	**4,460,540**

(c) Production information

Revenue from the external customers of the Group was as follows:

Production	**2019**	**2018**
Automatic facilities	$ 2,005,629	2,181,574
Fitness equipment	5,671,497	3,766,921
Other	224,959	237,093
	$ 7,902,085	**6,185,588**

(d) Geographical information

In presenting the information on the basis of geography, segment revenue is based on the geographical location of the customers and the segment non-current assets are based on the geographical location of the assets.

Revenue from the external customers of the Group was as follows:

Region	**2019**	**2018**
United States	$ 7,240,898	5,859,238
Europe	179,875	138,572
Asia	473,075	-
Other	8,237	187,778
	$ 7,902,085	**6,185,588**

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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Non-current assets:

Region		December 31, 2019	December 31, 2018
Taiwan	$	1,686,527	1,452,129
Other		838,202	891,472
	$	**2,524,729**	**2,343,601**

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments and deferred tax assets.

(e) Major customers' information

Sale revenues from individual customers representing over 10% of the total revenue were summarized as follows:

	2019			2018	
Customer		**Amount**	**%**	**Amount**	**%**
A	$	856,424	11	953,432	15
D		4,489,455	57	2,744,885	44
Total	**$**	**5,345,879**	**68**	**3,698,317**	**59**