Stock Code:1515

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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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, 2020 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 "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. 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: Guan-Xiang, Wang
Date: March 15, 2021

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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, 2020 and 2019, 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 of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. We also conducted our audits of the financial statements in 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and Interpretive Letter No.1090360805 issued by the Financial Supervisory Commission, R.O.C. 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), the assessment of accounting estimate and assumption uncertainty, refer to consolidated financial statements Note 5 (b); 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 the Group 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 (c); the explanation about the provision, refer to consolidated financial statements Note 6 (q).

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, 2020 and 2019, 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 the 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 Audit Committee) 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 15, 2021

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 Originally Issued in Chinese)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6 (a))	$ 2,613,129	27	2,137,750	31
1110	Current financial assets at fair value through profit or loss (note 6 (b))	18,470	-	107,046	2
1120	Current financial assets at fair value through other comprehensive income (note 6 (c))	36,176	-	37,862	-
1150	Notes receivable, net (note 6 (d))	109	-	585	-
1160	Notes receivable due from related parties, net (note 6 (d) and 7)	6,334	-	10,740	-
1170	Accounts receivable, net (note 6 (d))	2,380,141	25	1,043,806	15
1180	Accounts receivable due from related parties, net (note 6 (d) and 7)	3,352	-	22,820	-
1200	Other receivables, net (note 6 (e))	522	-	1,444	-
130x	Inventories (note 6 (f))	1,096,194	12	636,030	9
1479	Other current assets (note 6 (l))	191,508	2	107,614	2
		6,345,935	66	4,105,697	59
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6 (c))	-	-	181,858	3
1550	Investments accounted for using equity method (note 6 (g))	16,994	-	16,707	-
1600	Property, plant and equipment (note 6 (i) and 8)	2,852,873	30	2,337,281	34
1755	Right-of-use assets (note 6 (j))	79,870	1	59,583	1
1780	Intangible assets (note 6 (k))	62,728	1	58,581	1
1840	Deferred tax assets (note 6 (s))	67,174	1	73,620	1
1920	Guarantee deposits paid	4,403	-	1,823	-
1975	Net defined benefit asset, non-current (note6(r))	80	-	5,211	-
1990	Other non-current assets (note 6 (l))	111,091	1	64,073	1
		3,195,213	34	2,798,737	41
	Total assets	**$ 9,541,148**	**100**	**6,904,434**	**100**

	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6 (m) and 8)	$ 336,960	4	642,842	9
2130	Current contract liabilities (note 6 (v))	27,454	-	25,516	-
2150	Notes payable	789,241	8	427,470	6
2160	Notes payable to related parties (note 7)	843	-	631	-
2170	Accounts payable	3,239,809	34	1,279,472	19
2200	Other payables	564,912	6	465,733	7
2220	Other payables to related parties (note 7)	461	-	134	-
2230	Current tax liabilities	101,388	1	182,260	3
2250	Current provisions (note 6 (q))	165,973	2	166,842	2
2280	Current lease liabilities (note 6 (p))	12,376	-	1,241	-
2320	Long-term borrowing, current portion (note 6 (o) and 8)	46,707	-	52,501	1
2399	Other current liabilities (note 6 (n))	132,866	2	106,355	2
		5,418,990	57	3,350,997	49
	Non-Current liabilities:				
2540	Long-term borrowings (note 6 (o) and 8)	334,032	4	81,427	1
2570	Deferred tax liabilities (note 6 (s))	15,690	-	18,606	-
2580	Non-current lease liabilities (note 6 (p))	11,243	-	1,914	-
		360,965	4	101,947	1
	Total liabilities	5,779,955	61	3,452,944	50
	Equity attributable to owners of parent: (note 6 (c) and(t))				
3100	Ordinary shares	1,814,735	19	1,814,735	26
3200	Capital surplus	433	-	433	-
3300	Retained earnings	2,098,057	22	1,665,229	24
3400	Other equity	(177,225)	(2)	(49,668)	-
	Total equity attributable to owners of parent:	3,736,000	39	3,430,729	50
36xx	Non-controlling interests	25,193	-	20,761	-
	Total equity	3,761,193	39	3,451,490	50
	Total liabilities and equity	**$ 9,541,148**	**100**	**6,904,434**	**100**

See accompanying notes to .

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars , except earnings per share)

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue, net (note 6 (v) and 7)	$ 11,374,207	100	7,902,085	100
5000	Operating costs (note 6 (f)、(k)、(r) and (w))	9,403,085	83	6,329,674	80
	Gross profit from operations	1,971,122	17	1,572,411	20
6000	**Operating expenses (note 6 (k)、(r) and (w)):**				
6100	Selling expenses	432,757	4	484,084	6
6200	Administrative expenses	183,666	1	214,584	3
6300	Research and development expenses	198,633	2	180,019	2
	Total operating expenses	815,056	7	878,687	11
	Net operating income	1,156,066	10	693,724	9
7000	**Non-operating income and expenses:**				
7100	Interest income (note 6 (x))	4,525	-	6,141	-
7010	Other income (note 6 (x))	63,574	1	70,866	1
7020	Other gains and losses, net (note 6 (x))	(153,833)	(1)	(2,824)	-
7050	Finance costs (note 6 (p) and (x))	(11,696)	-	(25,464)	-
7060	Share of profit of associates accounted for using equity method (note 6 (g))	287	-	530	-
		(97,143)	-	49,249	1
7900	**Profit before income tax**	1,058,923	10	742,973	10
7950	Income tax expense (note 6 (s))	236,733	3	184,605	3
8000	**Profit from continuing operations**	822,190	7	558,368	7
8100	**Discontinued operation income: (note 6 (h)、(s) and 12 (b))**	-	-	713,994	9
8200	**Profit**	822,190	7	1,272,362	16
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Gains (losses) on remeasurements of defined benefit obligation (note 6 (s))	(11,289)	-	57,703	1
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	39,210	1	36,169	-
		27,921	1	93,872	1
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation	5,085	-	(126,678)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (s))	(1,073)	-	25,323	-
		4,012	-	(101,355)	(1)
8300	**Other comprehensive income (after tax)**	31,933	1	(7,483)	-
8500	**Comprehensive income**	**$ 854,123**	**8**	**1,264,879**	**16**
	Profit attributable to:				
8610	Owners of parent	$ 817,480	7	1,272,197	16
8620	Non-controlling interests	4,710	-	165	-
		$ 822,190	**7**	**1,272,362**	**16**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 849,691	8	1,264,854	16
8720	Non-controlling interests	4,432	-	25	-
		$ 854,123	**8**	**1,264,879**	**16**
	Earnings per share(NT dollars) (note 6 (u))				
9750	**Basic earnings per share**				
	Basic earnings per share from continuing operations	$	4.50		3.08
	Basic earnings per share from discontinued operations	-			3.93
	Total basic earnings per share	**$**	**4.50**		**7.01**
9850	**Diluted earnings per share**				
	Diluted earnings per share from continuing operations	$	4.47		3.05
	Diluted earnings per share from discontinued operations	-			3.91
	Total diluted earnings per share	**$**	**4.47**		**6.96**

See accompanying notes to .

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(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) from financial assets measured at fair value through other comprehensive income	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 on 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	-	-	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 for the year ended December 31, 2019	-	-	-	-	1,272,197	1,272,197	-	-	-	-	1,272,197	165	1,272,362
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	57,703	57,703	(10,400)	36,169	(90,815)	(65,046)	(7,343)	(140)	(7,483)
Comprehensive 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 on 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**
Balance on January 1,2020	$ 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
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	133,345	-	(133,345)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	49,668	(49,668)	-	-	-	-	-	-	-	-
Cash dividends or ordinary share	-	-	-	-	(544,420)	(544,420)	-	-	-	-	(544,420)	-	(544,420)
	-	-	133,345	49,668	(727,433)	(544,420)	-	-	-	-	(544,420)	-	(544,420)
Profit for the year ended December 31, 2020	-	-	-	-	817,480	817,480	-	-	-	-	817,480	4,710	822,190
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(11,289)	(11,289)	4,290	39,210	-	43,500	32,211	(278)	31,933
Comprehemsive income	-	-	-	-	806,191	806,191	4,290	39,210	-	43,500	849,691	4,432	854,123
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	171,057	171,057	-	(171,057)	-	(171,057)	-	-	-
Balance on December 31, 2020	**$ 1,814,735**	**433**	**265,379**	**49,668**	**1,783,010**	**2,098,057**	**(156,823)**	**(20,402)**	**-**	**(177,225)**	**3,736,000**	**25,193**	**3,761,193**

See accompanying notes to .

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	$ 1,058,923	742,973
From discontinued operations before tax	-	804,412
Profit before tax	1,058,923	1,547,385
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	165,368	136,918
Amortization expense	12,039	9,359
Interest expense	11,696	25,464
Interest income	(4,525)	(6,141)
Dividend income	(10,261)	(13,130)
Share of profit of associates and joint ventures accounted for using equity method	(287)	(530)
Loss on disposal of property, plant and equipment	2,561	13,144
Gain on disposal of subsidiary	-	(804,412)
Total adjustments to reconcile profit (loss)	176,591	(639,328)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at FVTPL	88,576	259,702
Notes receivable	476	(309)
Notes receivable due from related parties	4,406	(2,236)
Accounts receivable	(1,336,335)	605,956
Accounts receivable due from related parties	19,468	(2,773)
Other receivable	684	(560)
Inventories	(460,164)	101,271
Other current assets	(83,894)	31,661
Other operating assets	(293)	(1,184)
	(1,767,076)	991,528
Changes in operating liabilities:		
Contract liabilities	1,938	9,161
Notes payable	361,771	160,496
Notes payable to related parties	212	281
Accounts payable	1,960,337	(432,274)
Other payable	27,309	56,815
Other payable to related parties	327	39
Other current liabilities	25,642	141,816
Net defined benefit liability	(6,158)	(77,161)
	2,371,378	(140,827)
Total changes in operating assets and liabilities	604,302	850,701
Total adjustments	780,893	211,373
Cash inflow generated from operations	1,839,816	1,758,758
Interest received	4,763	6,141
Dividends received	10,261	13,130
Interest paid	(11,853)	(26,222)
Income taxes paid	(313,776)	(188,269)
Net cash flows from operating activities	1,529,211	1,563,538
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	217,962	4,584
Acquisition of property, plant and equipment	(530,257)	(272,258)
Proceeds from disposal of property, plant and equipment	19,214	1,591
Increase in restricted assets	(8,000)	-
Proceeds from disposal of financial assets at fair ralue through proft or loss	4,792	-
Increase in refundable deposits	(2,580)	(1,470)
Acquisition of intangible assets	(16,131)	(11,572)
Increase in prepayments for business facilities	(126,929)	(83,170)
Cash dividents received	-	800
Decrease in advance receipts	-	(408,649)
Disposal of subsidiary price	-	818,760
Net cash flows from (used in) investing activities	(441,929)	48,616
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,532,928	641,294
Decrease in short-term borrowings	(1,834,642)	(789,503)
Increase from long-term borrowings	308,400	358,039
Repayments of long-term borrowings	(57,929)	(703,280)
Payment of lease liabilities	(2,300)	(611)
Cash dividends paid	(544,420)	(362,947)
Net cash flows used in financing activities	(597,963)	(857,008)
Effect of exchange rate changes on cash and cash equivalents	(13,940)	(13,903)
Net increase in cash and cash equivalents	475,379	741,243
Cash and cash equivalents at beginning of period	2,137,750	1,396,507
Cash and cash equivalents at end of period	$ **2,613,129**	**2,137,750**

See accompanying notes to .

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(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 company's registered office is No.261, Renhua Rd., Dali Dist., Taichung City 412, and Taiwan (R.O.C.). The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) on February 4, 1995. The company's and its subsidiaries ("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

These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2021.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”	The amendments clarify that the ‘ costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: ● the incremental costs – e.g. direct labor and materials; and ● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	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.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipmentt－Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(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.

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Notes to 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 and issued into effect by the Financial Supervisory Commission, R.O.C.

(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 comprise the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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.

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2020	Shareholding December 31, 2019
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%
Gold Item	Gold Tech Group Ltd.	Investing and holding	100%	100%
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%

(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 transaction.

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

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(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 non-current.

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

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

(iii) It is expected to be realized within twelve 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.

(Continued)

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 issuing equity instruments do not affect its classification.

(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：

– 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.

(Continued)

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 receivables, other receivables, 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：

– 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.

(Continued)

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.

(Continued)

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

(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 present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(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 classified 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 capital surplus, 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**

(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.

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.

(Continued)

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.

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.

(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.

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) **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) Trademarks 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.

(n) **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 cash-generating units (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.

(Continued)

(o) **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.

(p) **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.

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 4(o).

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.

(q) **Employee benefits**

(i) Defined contribution plans

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

(Continued)

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each 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 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.

(r) **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 are 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:

(Continued)

(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.

(s) **Earnings per share**

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

(t) **Operating segments**

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

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

In preparing these consolidated financial statements, management has made 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 judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. These assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(b) 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.

(c) 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, 2020	December 31, 2019
Petty cash and cash on hand	$	1,044	1,180
Checking and demand deposits		2,612,085	1,836,770
Time deposits		-	299,800
Cash and cash equivalents in the consolidated statement of cash flows	$	**2,613,129**	**2,137,750**

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

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

		December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate	$	-	96,650
Stocks listed on domestic markets		18,374	10,300
Stocks unlisted on domestic markets		96	96
Total	$	**18,470**	**107,046**

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

(ii) As of December 31, 2020 and 2019, 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, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income		
Domestic Company - FALCON MACHINE TOOLS CO.,LTD	$ 36,176	37,862
Domestic Company - ASIX Electronics Corporation	-	181,858
Total	**$ 36,176**	**219,720**

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

The Group designated the investments shown above as equity securities 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 2020 and 2019 was $10,063 and $12,842 respectively.

(iii) Besides, ASIX Electronics Corporation has completed capital reduction at 3rd quarter of 2020, the capital reduction ratio was 10%, and the Group received the consideration of capital redistribution amounts of $4,792 on September 4, 2020.

(iv) During the period from November to December in 2020 and July in 2019, 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 $217,962 and $4,584, respectively. The Group realized a gain of $171,057 and $3,548, respectively. The gain has been transferred to retained earnings.

(v) For credit risk and market risk, please refer to Note 6(z).

(vi) As of December 31, 2020 and 2019, the financial assets at fair value through other comprehensive income were not pledged as collateral.

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

	December 31, 2020	December 31, 2019
Notes receivable from operating activities	$ 109	585
Notes receivable from operating activities-related parties	6,334	10,740
Less: Loss allowance	-	-
Total	$ 6,443	11,325
Accounts receivable-measured at amortized cost	$ 2,381,744	1,045,409
Accounts receivable from related parties-measured at amortized cost	3,352	22,820
Less: Loss allowance	(1,603)	(1,603)
Total	$ 2,383,493	1,066,626

(i) The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions in Taiwan were determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 2,194,382	0.03%	773
1 to 90 days past due	196,806	0.24%	479
91 to 180 days past due	-	-%	-
181 to 360 days past due	351	100%	351
Total	$ 2,391,539		1,603

	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%	996
Total	$ 1,079,554		1,603

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

		2020	2019
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, 2020 and 2019.

(e) **Other receivables**

		December 31, 2020	December 31, 2019
Other receivables	$	11,769	12,691
Less: Loss allowance		(11,247)	(11,247)
	$	**522**	**1,444**

(i) As of December 31, 2020 and 2019, there are no other receivables which are past due but not impaired.

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

		2020	2019
Balance on January 1 (which is balance at December 31)	$	**11,247**	**11,247**

(f) **Inventories**

		December 31, 2020	December 31, 2019
Finished goods	$	294,174	214,054
Work in progress		199,733	99,457
Materials		146,183	45,754
Parts		416,496	244,557
Merchandise		39,608	32,208
	$	**1,096,194**	**636,030**

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

		2020	2019
Inventory scrap loss	$	12,953	80,727
Inventory surplus		(492)	(274)
Revenue from sale of scraps		(10,552)	(11,457)
Write-down of inventories (Reversal of write-downs)		5,696	(20,000)
Unallocated production overheads		6,685	-
	$	14,290	48,996

The major subsidiary of the Group located in China was shutted down on February 2020 due to the effect of Covid-19, the unallocated production overheads of $6,685 incurred during the period is recognized under current operating costs.

As of December 31, 2020 and 2019, inventories were not pledged as collateral.

(g) **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, 2020	December 31, 2019
Associates	$	16,994	16,707

(i) Associates

Affiliated company's information:

			Proportion of shareholding and voting rights	
Name of Associates	**Nature of relationship with the Group**	**Main operating location/ Registered Country of the Company**	**December 31, 2020**	**December 31, 2019**
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, 2020	December 31, 2019
Carrying amount of individually insignificant associates' equity	$	16,994	16,707

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		2020	2019
Attributable to the Group:			
Profit from continuing operations	$	287	530
Other comprehensive income		-	-
Comprehensive income	$	**287**	**530**

(ii) As of December 31, 2020 and 2019, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

(h) **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 Machinery & Electric Co., Ltd. with a consideration of USD26,566($81,760). The Group derecognized Motomax Hong Kong 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 on disposal of investment in the proft of discontinued operation, which gains of the disposal included the cummulative foreign exchange income of USD2,956($91,371). The aforementioned consideration had been fully settled before June 30, 2019.

The carrying amount of assets and liabilities of Motomax Hong Kong and its indrect investment in Hangzhou Liwu Machinery & Electric Co., Ltd. on the date of disposal was as follow:

		March 5, 2019
Cash and cash equivalents	$	4,954
Other 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
Other payables		(5,945)
Other current liabilities		(124)
		(6,069)
Carrying amount of net assets	$	**105,719**

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

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019, were 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, 2020	$ 523,496	2,000,533	632,272	791,385	152,341	650	4,100,677
Additions	423,217	42,269	62,928	63,486	10,384	-	602,284
Disposal	(6)	(203)	(25,344)	(7,593)	(8,278)	-	(41,424)
Reclassification	-	17,312	53,228	17,928	304	(568)	88,204
Effect of movements in exchange rates	(143)	9,045	1,971	1,308	(107)	(3)	12,071
Balance on December 31, 2020	**$ 946,564**	**2,068,956**	**725,055**	**866,514**	**154,644**	**79**	**4,761,812**
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**
Depreciation and impairment loss:							
Balance on January 1,2020	$ -	701,875	346,805	597,446	117,270	-	1,763,396
Depreciation	-	75,212	44,750	32,811	9,265	-	162,038
Disposal	-	(8)	(6,956)	(5,866)	(6,819)	-	(19,649)
Effect of movements in exchange rates	-	1,867	881	610	(204)	-	3,154
Balance on December 31, 2020	**$ -**	**778,946**	**385,480**	**625,001**	**119,512**	**-**	**1,908,939**
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**
Carrying amounts:							
Balance on December 31, 2020	**$ 946,564**	**1,290,010**	**339,575**	**241,513**	**35,132**	**79**	**2,852,873**
Balance on January 1, 2019	**$ 448,231**	**1,305,903**	**209,351**	**184,489**	**34,114**	**-**	**2,182,088**
Balance on December 31,2019	**$ 523,496**	**1,298,658**	**285,467**	**193,939**	**35,071**	**650**	**2,337,281**

(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 near to its factory, costing $134,613, 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) Gain or losses of disposal, please refer to Note 6(x).

(iii) Disclosure on pledges

As of December 31, 2020 and 2019, property, plant and equipment of the Group had been pledged as collateral for bank loans; please refer to note 8.

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

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

		Land	Buildings	Vehicles	Total
Cost:					
Balance at January 1, 2020	$	57,757	-	3,766	61,523
Additions		-	21,388	1,376	22,764
Effect of movement in exchange rates		906	-	-	906
Balance at December 31, 2020	$	**58,663**	**21,388**	**5,142**	**85,193**
Balance at January 1, 2019	$	60,158	-	-	60,158
Additions		-	-	3,766	3,766
Effect of movement in exchange rates		(2,401)	-	-	(2,401)
Balance at December 31, 2019	$	**57,757**	**-**	**3,766**	**61,523**
Accumulated depreciation and impairment losses: :					
Balance at January 1, 2020	$	1,312	-	628	1,940
Depreciation for the year		1,302	594	1,434	3,330
Effect of movement in exchange rates		53	-	-	53
Balance at December 31, 2020	$	**2,667**	**594**	**2,062**	**5,323**
Balance at January 1, 2019	$	-	-	-	-
Depreciation for the year		1,372	-	628	2,000
Effect of movement in exchange rates		(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**
Balance at January 1, 2019	$	**60,158**	**-**	**-**	**60,158**
Balance at December 31, 2020	$	**55,996**	**20,794**	**3,080**	**79,870**

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(k) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

	Goodwill	Computer Software	Total
Costs:			
Balance at January 1, 2020	$ 43,293	111,130	154,423
Additions	-	16,131	16,131
Effect of movement in exchange rates	-	111	111
Balance at December 31,2020	**$ 43,293**	**127,372**	**170,665**
Balance at January 1, 2019	$ 43,293	100,158	143,451
Additions	-	11,572	11,572
Transfer to non-current assets held for sale (or disposal group)		(365)	(365)
Effect of movement in exchange rates	-	(235)	(235)
Balance at December 31,2019	**$ 43,293**	**111,130**	**154,423**
Amortization and impairment Loss:			
Balance at January 1, 2020	$ -	95,842	95,842
Amortization for the year	-	12,039	12,039
Effect of movement in exchange rates	-	56	56
Balance at December 31, 2020	**$ -**	**107,937**	**107,937**
Balance at January 1, 2019	$ -	86,948	86,948
Amortization for the year	-	9,359	9,359
Transfer to non-current assets held for sale (or disposal group)	-	(365)	(365)
Effect of movement in exchange rates	-	(100)	(100)
Balance at December 31, 2019	**$ -**	**95,842**	**95,842**
Carrying value:			
Balance at December 31, 2020	**$ 43,293**	**19,435**	**62,728**
Balance at January 1, 2019	**$ 43,293**	**13,210**	**56,503**
Balance at December 31, 2019	**$ 43,293**	**15,288**	**58,581**

(i) Amortization

The amortization of intangible assets is included in the statement of comprehensive income:

	2020	2019
Operating cost	$ 2,226	1,841
Operating expense	9,813	7,518
	$ 12,039	**9,359**

(Continued)

(ii) Disclosure on pledges

As of December 31, 2020 and 2019, the intangible assets of the Group were not pledged as collateral.

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

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

		December 31, 2020	December 31, 2019
Other current assets:			
Prepayments	$	56,473	44,912
Bussiness tax receivables		127,888	41,379
Prepayment and payment on behalf of others		7,147	21,323
	$	**191,508**	**107,614**

		December 31, 2020	December 31, 2019
Other non-current assets:			
Prepayments for equipment	$	99,792	61,067
Restricted assets		8,000	-
Other		3,299	3,006
	$	**111,091**	**64,073**

(m) **Short-term borrowings**

The short-term borrowings were as follows:

		December 31, 2020	December 31, 2019
Unsecured bank loans	$	280,000	108,000
Secured bank loans		56,960	534,842
Total	$	**336,960**	**642,842**
Unused credit lines	$	**1,925,674**	**1,345,677**
Range of interest rate		**0.69%~4.57%**	**1.40~4.57%**

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

(n) Other current liabilities

The details of other current liabilities were summarized as follows:

		December 31, 2020	December 31, 2019
Advance receipts	$	3,571	3,572
Temporary receipt		121,572	97,413
Others		7,723	5,370
	$	**132,866**	**106,355**

Temporary receipt is mainly received from mold sharing payment.

(o) **Long-term borrowings**

The details of long-term borrowings were as follows:

	December 31, 2020				
	Currency	**Rate**	**Maturity year**		**Amount**
Unsecured bank loans	USD	4.25%	2022	$	72,339
Secured bank loans	NTD	0.45%~0.7%	2025		308,400
					380,739
Less : current portion					(46,707)
Total				**$**	**334,032**
Unused credit lines				**$**	**821,600**

	December 31, 2019				
	Currency	**Rate**	**Maturity year**		**Amount**
Unsecured bank loans	USD	4.08%	2022	$	125,317
Secured bank loans	NTD	2.1%~2.35%	2022		8,611
					133,928
Less: current portion					(52,501)
Total				**$**	**81,427**
Unused credit lines				**$**	**630,000**

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

(p) **Lease liabilities**

		December 31, 2020	December 31, 2019
Current	**$**	**12,376**	**1,241**
Non-current	**$**	**11,243**	**1,914**

(Continued)

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

The amount recognized in profit or loss was as follows:

	December 31, 2020	December 31, 2019
Interest on lease liabilities	$ 82	39

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

	December 31, 2020	December 31, 2019
Total cash outflow for leases	$ 2,382	650

The lease period for the Group's lease of vehicles is three years.

(q) **Provisions**

	Warranties
Balance at January 1, 2020	$ 166,842
Provisions made during the year	171,734
Provisions used during the year	(172,603)
Balance at December 31, 2020	$ 165,973
Balance at January 1, 2019	$ 41,327
Provisions made during the year	229,759
Provisions used during the year	(104,244)
Balance at December 31, 2019	$ 166,842

The provision for warranties relates mainly to automatic facilities and fitness equipment sold for the years ended December 31, 2020 and 2019. 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.

(r) **Employee benefits**

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	$ 401,954	391,438
Fair value of plan assets	(402,034)	(396,649)
Net defined benefit asset	$ (80)	(5,211)

(Continued)

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The Group's employee benefit liabilities were as follows:

	December 31, 2020	December 31, 2019
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.

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 earnings 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 $402,034 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 the defined benefit obligations for the Group were as follows:

	2020	2019
Defined benefit obligation at January 1	$ 391,438	448,074
Current service costs and interest cost	6,128	8,085
Remeasurements of the net defined benefit liability (asset)		
—Due to experience adjustments of actuarial (losses) gains	6,911	(9,714)
—Due to changes in financial assumption of actuarial (losses) gains	15,268	(37,196)
Benefits paid	(17,791)	(17,811)
Defined benefit obligation at December 31	$ 401,954	391,438

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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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:

	2020	2019
Fair value of plan assets at January 1	$ 396,649	318,421
Interest income	3,924	3,304
Remeasurement of the net defined benefit liability (asset)		
—Return on plan assets (excluding interest income)	10,891	10,793
Benefits paid	1,814	81,942
Expected return on plan assets	(11,244)	(17,811)
Fair value of plan assets at December 31	**$ 402,034**	**396,649**

4) Expenses recognized in profit or loss

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

	2020	2019
Current service costs	$ 2,446	3,333
Net interest of net liabilities (asset) for defined benefit obligations	(242)	1,448
	$ 2,204	**4,781**
Operating cost	$ 3,973	4,042
Selling expenses	618	146
Administration expenses	(3,266)	384
Research and development expenses	879	209
	$ 2,204	**4,781**

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

The Group’ s remeasurement in the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Cumulative amount at January 1	$ (141,401)	(199,104)
Recognized during the period	(11,289)	57,703
Accumulated amount at December 31	**$ (152,690)**	**(141,401)**

(Continued)

6) Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	0.625 %	1 %
Future salary increase rate	4 %	4 %

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 $1,841.

The weighted average lifetime of the defined benefit plans is 12.32 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 obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2020		
Discount rate	$ (10,276)	10,683
Future salary increases	10,129	(9,804)
December 31, 2019		
Discount rate	$ (10,352)	10,776
Future salary increases	10,264	(9,922)

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.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(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 $20,105 and $18,551 for the years ended December 31, 2020 and 2019, respectively.

(Continued)

Except for the Company and Rexon Technology Corp., Ltd., other subsidiaries adopted the defined contribution method under their local law, and accordingly, the pension costs were $1,965 and $5,595.

(s) **Income taxes**

The components of income tax in the years 2020 and 2019 were as follows:

		2020	2019
Current tax expense			
Current period	$	221,359	149,320
Adjustment for prior periods		12,917	33,102
	$	**234,276**	**182,422**
Deferred tax expense			
Origination and reversal of temporary differences		2,457	2,183
Income tax expense excluding tax on sale of discontinued operation	**$**	**236,733**	**184,605**
Income tax from continuing operations	$	236,733	184,605
Income tax from discontinued operation		-	90,418
	$	**236,733**	**275,023**

The amounts of income tax recognized directly in other comprehemsive income for 2020 and 2019 were as follows:

		2020	2019
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation	**$**	**1,073**	**(25,323)**

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Reconciliation of income tax and profit before tax for 2020 and 2019 was as follows:

	2020	2019
Profit excluding income tax	$ 1,058,923	742,973
Income tax using the Company's domestic tax rate	215,569	312,484
Other tax effect generated from adjustment of tax rule	(3,643)	(12,957)
Tax effect of investment loss generated from investment accounted for using equity method	(3,972)	(57,606)
Underestimation in prior periods	12,917	33,102
Additional tax on undistributed earnings	15,862	-
Income tax on gain on sale of discontinued operation	-	(90,418)
Tax expense (excluding tax expense arising from profit of selling the discontinued operation)	**$ 236,733**	**184,605**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2020	December 31, 2019
Tax effect of deductible temporary differences	**$ 5,111**	**5,111**

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Unrealized inventory valuation loss	Warranty provision	Unrealized exchange loss	Exchange on translation of foreign financial statement	Other	Total
Deferred tax assets:						
Balance at January 1, 2020	$ 9,168	33,369	5,161	25,506	416	73,620
Recognized in profit or loss	-	(174)	(5,161)	-	(38)	(5,373)
Recognized in other comprehensive income	-	-	-	(1,073)	-	(1,073)
Balance at December 31, 2020	**$ 9,168**	**33,195**	**-**	**24,433**	**378**	**67,174**

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	Unrealized inventory valuation loss	Warranty provision	Unrealized exchange loss	Exchange on translation of foreign financial statement	Other	Total
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**

	Fair value gains	Unrealized exchange gains	Unrealized investment gains	Total
Deferred tax liabilities:				
Balance at January 1, 2020	$ 2,351	-	16,255	18,606
Recognized in profit or loss	(2,351)	288	(853)	(2,916)
Balance at December 31, 2020	$ -	**288**	**15,402**	**15,690**
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**

3) Assessment of tax

The income tax returns of the Company and Rexon Tech. for the years through 2018 were assesed by the tax authorities.

(t) **Capital and other equity**

As of December 31, 2020 and 2019, the authorized capital totaled $3,800,000, 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, 2020 and 2019 were as follows:

	Ordinary shares	
(In thousands of shares)	**2020**	**2019**
Balance at January 1(which is balance at December 31)	**$ 181,473**	**181,473**

(i) Capital Surplus

Balance of capital surplus was as following:

	December 31, 2020	December 31, 2019
Treasury share transactions	$ 433	433

According to the R.O.C. 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 capital surplus 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.

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

1) 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 Ruling No. 1010012865 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 special earnings reserve during earnings distribution. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve was $49,668 and $0 for the years ended December 31, 2020 and 2019, respectively.

(Continued)

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3) Earnings distribution

The amounts of cash dividends on the appropriation of earnings for 2019 had been approved during the board meeting on May 23, 2019. Futhermore, the amounts of cash dividends on the appropriation of earnings for 2018 had been approved in the shareholders' meeting on May 21, 2019. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	$ 3.0	544,420	2.0	362,947

The amounts of cash dividends on the appropriation of earnings for 2020 had been approved during the board meeting on March 15, 2021, as follow:

	2020	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	$ 3.6	653,305

(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 Company's shares are lower than the carrying amount, the Company 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 percentage of shareholding if there is a subsequent 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, 2020	(161,113)	111,445	-	(49,668)
Exchange differences on foreign operations	4,290	-	-	4,290
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(171,057)	-	(171,057)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	39,210	-	39,210
Balance at December 31, 2019	$ **(156,823)**	**(20,402)**	**-**	**(177,225)**
Balance at January 2019	$ (150,713)	78,824	90,815	18,926
Exchange differences on translation of foreign	(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)**

(Continued)

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

The details on the calculation of basic earnings per share and diluted earnings per share for years 2020 and 2019 were as follows:

(i) Basic earnings per share

		2020	2019
Net Profit attributable to the Company-continuing operations	$	817,480	558,203
Net loss attributable to the Company-discontinued operations		-	713,994
Net profit attributable to ordinary shareholders of the Company	**$**	**817,480**	**1,272,197**
Weighted-average number of ordinary shares		**181,473**	**181,473**
Bisic earnings per share			
Net profit from continuing operations	$	4.50	3.08
Net profit from discontinued operations		-	3.93
	$	**4.50**	**7.01**
Diluted earuings per share			
Net Profit attributable to the Company-continuing operations	$	817,480	558,203
Net profit attributable to the Company-discontinued operation		-	713,994
Net profit attributable to ordinary shaleholders of the Company	**$**	**817,480**	**1,272,197**
Weighted-average number of ordinary shares		181,473	181,473
Effect of employee share bonus		1,352	1,204
Weighted average number of ordinary shares (diluted) at Dember 31		**182,825**	**182,677**
Diluted earnings per share			
Net profit from cotinuing operations	$	4.47	3.05
Net loss from discontinued operations		-	3.91
	$	**4.47**	**6.96**

(Continued)

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

(i) Details of revenue

		2020	2019
Primary geographical markets			
America	$	10,989,686	7,240,898
Europe		183,419	179,875
Asia		187,626	473,075
Other		13,476	8,237
	$	11,374,207	7,902,085
Major products/services lines			
Woodworking tools	$	2,308,086	2,005,629
Fitness equipment		8,820,716	5,671,497
Other		245,405	224,959
	$	11,374,207	7,902,085

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities	$ 27,454	25,516	16,355

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were $9,498 and $9,950.

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.

(w) **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 years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to $55,693 and $80,500, and directors' and supervisors' remuneration amounting to $11,139 and $16,000, 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 2020 and 2019.

(Continued)

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

(i) Interest income

The details of interest income were as follows:

	2020	2019
Interest income－bank deposits	$ **4,525**	**6,141**

(ii) Other income

The details of other income were as follows:

	2020	2019
Gains on write-off of accounts payable	$ 37,170	49,009
Dividend income	10,261	13,130
Other	16,143	8,727
	$ **63,574**	**70,866**

(iii) Other income and losses

The details of other income and losses were as follows:

	2020	2019
Net foreign exchange losses	$ (155,701)	(40,157)
Net losses on disposal of properey, plant and equipment	(2,561)	(13,144)
Gain on measurement of financial assets measured at fair value through profit or loss	6,699	52,009
Other	(2,270)	(1,532)
	$ **(153,833)**	**(2,824)**

(iv) Finance expenses

The details of finance expenses were as follows:

	2020	2019
Interest expenses	$ (11,986)	(25,834)
Less: capitalization of interest	290	370
	$ **(11,696)**	**(25,464)**

(y) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed 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, 2020 and 2019, three and four customers accounted for 84% and 80% respectively 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(d). Other financial assets at amortized cost inlcudes other receivables. For the details and loss allowance, please refer to note 6(e).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including 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, 2020					
Non-derivative financial liabilities					
Secured bank loans	$ 365,360	372,623	61,166	1,388	310,069
Unsecured loans	352,339	356,690	330,283	26,407	-
Leased assets (current and non-current)	23,619	23,867	12,566	11,017	284
Other payable	4,595,266	4,595,266	4,595,266	-	-
	$ 5,336,584	**5,348,446**	**4,999,281**	**38,812**	**310,353**
December 31, 2019					
Non-derivative financial liabilities					
Secured bank loans	$ 534,842	537,800	537,800	-	-
Unsecured loanse	241,928	255,701	166,266	57,795	31,640
Lease Assets	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**

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

(Continued)

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2020			December 31, 2019		
	Foreign Currency	Exchange Rates	New Taiwan Dollars	Foreign Currency	Exchange Rates	New Taiwan Dollars
Financial Assets						
Monetary items						
USD	$ 126,448	28.48	3,601,239	96,605	29.98	2,896,218
EUR	11	35.02	385	50	33.59	1,680
JPY	163,851	0.2760	45,272	118,809	0.2760	32,792
GBP	5	38.90	195	3	39.36	118
CNY	32	4.3770	140	-	-	-
Financial Liabilities						
Monetary items						
USD	30,387	28.48	865,422	12,635	29.98	378,797
EUR	225	35.02	7,880	-	-	-

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, 2020 and 2019 would have increased (decreased) the net profit after tax by \$22,191 and \$20,416, 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 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(155,701) and \$(40,157), respectively.

(Continued)

(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 $5,742 and $6,214 for the years ended December 31, 2020 and 2019, respectively. This is mainly due to the Group's borrowings in variable rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analysis 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:

	2020		2019	
Prices of securities at the reporting date	**Othe comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 362	184	2,197	103
Decreasing 1%	$ (362)	(184)	(2,197)	(103)

(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, 2020				
	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	$ 18,470	18,374	-	96	18,470
Financial assets at fair value through other comprehensive income					
Stocks in listed companies	36,176	36,176	-	-	36,176
Financial assets measured at amortized cost					
Cash and cash equivalents	2,613,129	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	2,390,458	-	-	-	-
Deposit	4,403	-	-	-	-
	$ 5,062,636	**54,550**	**-**	**96**	**54,646**
Financial liabilities at amortized cost					
Short-term borrowings	$ 336,960	-	-	-	-
Notes payable, accounts payable, and other payable(including related parties)	4,595,266	-	-	-	-
Long-term borrowings, current portion	46,707	-	-	-	-
Loan-term borrowings	334,032	-	-	-	-
Leases asset	23,619	-	-	-	-
	$ 5,336,584	**-**	**-**	**-**	**-**

	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**

(Continued)

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

	December 31, 2019				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
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	-	-	-	-
Lease Asset	3,155	-	-	-	-
	$ 2,743,972	-	-	-	-

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

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

Financial liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value.

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 2020 and 2019.

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

(z) 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 objectives, 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.

(Continued)

1) Accounts receivable and other receivables

The 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, 2020 and 2019, the Group provided financial guarantee to its subsidiaries amounted to $199,360 and $149,900, 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 $2,747,274 and $1,975,677 as of December 31, 2020 and 2019, 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(y) for the sensitivity analysis of equity price risk.

(aa) **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 is derived from the total liabilities, less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest, plus, net debt.

(Continued)

As of December 31, 2020, the Group's capital management strategy is consistent with the prior year as of December 31, 2019. The Group's debt to equity ratio as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 5,779,955	3,452,944
Less: cash and cash equivalents	(2,613,129)	(2,137,750)
Net debt	3,166,826	1,315,194
Total equity	3,761,193	3,451,490
Total capital	**$ 6,928,019**	**4,766,684**
Debt to equity ratio	**46%**	**28%**

As of December 31, 2020, the increase in debt-to-equity retio was mainly due to the substantial increase in revenue during the current period, hence, the relative increase in purchases from suppliers has led to an increase in the amount of account payable. As of December 31, 2019, the decrease in debt-to-equity ratio was mainly due to the disposal of the shares of Motomax Hong Kong and its indirect investment in Hangzhou Liwu Machiney & Electric Co., Ltd, through the Company's subsidiary- Gold Item Group Ltd. Upon completion of the transaction, the working capital of the Group has increased and the bank borrowings of the Group has reduced accordingly since the Group has sufficient funds available.

(ab) 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, 2020 and 2019, were as follows:

			Non-cash changes			
	January 1,2020	**Cash flows**	**Acquistion**	**Foreign exchange movement**	**Fair value changes**	**December 31,2020**
Long-term borrowings	$ 133,928	250,471	-	(3,660)	-	380,739
Short-term borrowings	642,842	(301,714)	-	(4,168)	-	336,960
Lease liabilities	3,155	(2,300)	22,764	-	-	23,619
Total liabilities from financing	**$ 779,925**	**(53,543)**	**22,764**	**(7,828)**	**-**	**741,318**

			Non-cash changes			
	January 1,2019	**Cash flows**	**Acquistion**	**Foreign exchange movement**	**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**

(Continued)

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

(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 by the Group to related parties were as follows:

	2020	2019
Associates－Fine Clear Co., Ltd	$ 26,740	64,136

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, 2020	December 31, 2019
Notes receivable	Associates－Fine Clear Co., Ltd	$ 6,334	10,740
Accounts receivable	Associates－Fine Clear Co., Ltd	3,352	22,820
		$ 9,686	33,560

iii) Payables to related-parties

Account	Related-party type	December 31, 2020	December 31, 2019
Notes payable	Associates－Fine Clear Co., Ltd	$ 843	631
Other payables	Associates－Fine Clear Co., Ltd	461	134
		$ 1,304	765

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(c) Key management personnel compensation

	2020	2019
Short-term employee benefits	$ 66,818	28,312
Post-employment benefits	929	693
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	$ 67,747	**29,005**

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2020	December 31, 2019
Land	Guarantee for bank loans	$ 296,442	296,442
Buildings	Guarantee for bank loans	888,340	919,711
		$ 1,184,782	**1,216,153**

(9) Commitments and contingencies:

The Group's unrecognized contractual commitments were as follows:

	December 31, 2020	December 31, 2019
Acquisition of property, plant and equipment	**$ 41,151**	**21,023**

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

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

By function	2020			2019		
By item	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	650,220	276,984	927,204	450,658	294,931	745,589
Labor and health insurance	40,464	19,363	59,827	37,572	19,099	56,671
Pension	19,293	4,981	24,274	19,943	8,984	28,927
Others	12,235	1,798	14,033	9,334	1,701	11,035
Depreciation	139,190	26,178	165,368	111,802	25,116	136,918
Amortization	2,226	9,813	12,039	1,841	7,518	9,359

(Continued)

(b) Discontinued operation

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 May 5, 2019.

Please refer to note 6(u) for the amount of income incurred from continuing operations and discontinued operations attributable to ordinary shareholders of the Company.

Proft and loss and cash flows from (used in) discontinued operations are summarized as follows:

		2019
Results from operating activities:		
Revenue		-
Operating expenses		-
Income tax expense		-
Gain on sale of discontinued operation	$	804,412
Income tax on gain on sale of discontinued operation		(90,418)
Profit	**$**	**713,994**
Basic earnings per share	**$**	**3.93**
Diluted earnings per share	**$**	**3.91**

		2019
Cash flows from discontinued operation:		
Net cash from investing activities	**$**	**410,111**

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	1,494,400	(USD7,000) 199,360	(USD7,000) 199,360	(USD7,000) 199,360	-	5.34 %	1,494,400	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, 2020 (excluding investment in subsidiaries, associates and joint ventures):

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	138	- %	138	5	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –Taiwan Fu Hsing Industrial Co., Ltd.		Financial assets at fair value through profit or loss-current	0.4	20	- %	20	0.4	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –China Steel Corporation.		Financial assets at fair value through profit or loss-current	68	1,672	- %	1,672	68	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –United Microelectronics Corp.		Financial assets at fair value through profit or loss-current	146	6,902	- %	6,902	146	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –Chung Hung Steel Corporation		Financial assets at fair value through profit or loss-current	171	2,695	- %	2,695	171	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –Johnson Health Tech		Financial assets at fair value through profit or loss-current	12	1,082	- %	1,082	12	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –AU Optronics Corporation		Financial assets at fair value through profit or loss-current	119	1,665	- %	1,665	119	- %	
REXON INDUSTRIAL CORP., LTD.	Stock – Evergreen Marine Corporation		Financial assets at fair value through profit or loss-current	76	3,086	- %	3,086	76	- %	
REXON INDUSTRIAL CORP., LTD.	Stock –EVA Airways Corp.		Financial assets at fair value through profit or loss-current	85	1,114	- %	1,114	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	- %	
Subtotal					**18,470**		**18,470**			

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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance Shares/Units (thousands)	Ending balance Carrying value	Ending balance Percentage of ownership (%)	Ending balance Fair value	Highest Shares/Units (thousands)	Highest Percentage of ownership (%)	Note
REXON IDUSTRIAL CORP., LTD	Stock-Falcon Machine Tools Co.,LTD		Financial assets at fair value through other comprehensive income-current	-	36,176	4.98 %	36,176	3,832	4.98 %	
REXON IDUSTRIAL CORP., LTD	Stock-ASIX Electronics Corporation		Financial assets at fair value through other comprehensive income-non-current	-	-	- %	-	4,792	8.80 %	
Subtotal					**36,176**		**36,176**			

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

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information: Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others
REXON INDUSTRIAL CORP., LTD	Land	December 2020	312,494	The amount has been fully settled as of 31 December, 2020	Wenli CORP., LTD	None	-	-	-	-	Refer to market condition and information from professional valuer	For operation needs	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:

Name of company	Related party	Nature of relationship	Transaction details: Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Transactions with terms different from others: Unit price	Payment terms	Notes/Accounts receivable (payable): Ending balance	Percentage of total notes/accounts receivable (payable)	Note
REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	The subsidiary of merge	Purchase	1,349,101	15 %	90~150Days	Note 1	Note 2	(365,616)	(9)%	

Note1：Prices of related-party sales were incomparable with other sales 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.

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue Amount	Overdue Action taken	Amounts received in subsequent period	Allowance for bad debts
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 365,616	4.61	-	-	The recovery amount as of January 21, 2021 : 170,790	-

(ix) Trading in derivative instruments:None

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(x) Business relationships and significant intercompany transactions:

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	1,349,101	The sales prices and payment terms were by agreement	11.86%
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Accounts payable	365,525	The sales prices and payment terms were by agreement	3.83%
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Purchases	255,592	The sales prices and payment terms wereby agreement	1.98%
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Accounts payable	85,662	The sales prices and payment terms wereby agreement	0.90%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Service fee	44,289	The sales prices and payment terms were by agreement	0.39%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Other payable	78,173	The sales prices and payment terms were by agreement	0.82%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Sales	14,161	The sales prices and payment terms were by agreement	0.12%
1	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	3	Account receivable	6,389	The sales prices and payment terms were by agreement	0.07%

Note1：Representations of No. were as follows:
1) No.0 represents the parent company.
2) Subsidiaries were numbered in sequence from No.1.
Note2：Type of intra-group transactions were as follows:
1) represents the transactions form parent company to subsidiary.
2) represents the transactions from subsidiary to parent company.
3) represents the transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2020	Original investment amount: December 31, 2019	Balance as of December 31, 2020: Shares (thousands)	Balance as of December 31, 2020: Percentage of wnership	Balance as of December 31, 2020: Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Highest Shars/Units (thousands)	Highest Percentage of wnership(%)	Note
REXON INDUSTRIAL CORP., LTD.	Fine Clear Co.,Ltd	R.O.C	Buying and selling accessories	14,197	14,197	1,600	16.00 %	16,994	1,794	287	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 %	80,237	24,441	19,575	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 %	150,167	(3,894)	(3,739)	0.1	96.00 %	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Gold Item Group Ltd.	British Virgin Islands	Investing and holding	747,858	747,858	US$ 25,000 (Note 1)	100.00 %	806,172	(527)	(527)	US$ 25,000 (Note 1)	100.00 %	Direct subsidiaries of the Company
Gold Item	Gold Tech Group Ltd.	Hong Kong	Investing and holding	US$ 25,000	US$ 25,000	US$ 25,000 (Note 1)	100.00 %	785,773	(529)	(529)	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.

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(c) Information on investment in mainland China:

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

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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
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	(529)	100.00%	(529)	785,773	-
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%	-	-	-

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of December 31, 2020	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)	2,241,600
Rexon Technology Ltd. (Brunei)	US$700 (NT$22,820)	US$700 (NT$22,820)	60,110

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholding Shareholder's Name	Shares	Percentage
Kun-Fu, Wang	17,403,302	9.58 %
Rui-Rong, Chen	12,024,786	6.62 %

(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 resolution 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.

(Continued)

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The Group's operating segment information was as follows:

2020		Automatic facilities and fitness equipment Segment	Discontinued Operation	Adjustments and elimination	Total
Revenue					
Revenue from external customers	$	11,374,207	-	-	11,374,207
Intersegment revenues		-	-	-	-
Interest revenue		4,525	-	-	4,525
Total revenue	$	11,378,732	-	-	11,378,732
Interest expenses	$	11,696	-	-	11,696
Depreciation and amortization	$	177,407	-	-	177,407
Reportable segment profit or loss	**$**	**822,190**	**-**	**-**	**822,190**
Reportable segment assets	**$**	**9,541,148**	**-**	**-**	**9,541,148**
Reportable segment liabilities	**$**	**5,779,955**	**-**	**-**	**5,779,955**

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**

(c) Production information

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

Production		2020	2019
Automatic facilities	$	2,308,086	2,005,629
Fitness equipment		8,820,716	5,671,497
Other		245,405	224,959
	$	**11,374,207**	**7,902,085**

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(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	2020	2019
United States	$ 10,989,686	7,240,898
Europe	183,419	179,875
Asia	187,626	473,075
Other	13,476	8,237
	$ 11,374,207	**7,902,085**

Non-current assets:

Region	December 31, 2020	December 31, 2019
Taiwan	$ 2,273,561	1,686,527
Other	825,081	838,202
	$ 3,098,642	**2,524,729**

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:

	2020		2019	
Customer	**Amount**	**%**	**Amount**	**%**
D	$ 8,112,386	71	4,489,455	57
A	-	-	856,424	11
Total	**$ 8,112,386**	**71**	**5,345,879**	**68**