

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2022 and 2021**

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

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted standards as of June 30, 2022 and 2021
REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

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

(1) Overview

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

(2) Financial Statements Authorization Date and Authorization process

These consolidated financial statements for the six months ended June 30, 2022 and 2021 were authorized for issuance by the Board of Directors on August 4, 2022.

(3) New standards, Amendments and Interpretations Adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (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, 2023, would not have a significant impact on its consolidated financial statements:

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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- (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 |

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”

(4) Significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements:

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | Note |
|----------------------|---|--|---------------|-------------------|---------------|--------|
| | | | June 30, 2022 | December 31, 2021 | June 30, 2021 | |
| The Company | Power Tool Specialists Inc. (P.T.S.) | Merchandise trading | 96% | 96% | 96% | Note 1 |
| " | Gold Item Group Ltd.(Gold Item) | Investing and holding | 100% | 100% | 100% | |
| " | Rexon Technology Corp., Ltd. (Rexon Tech) | Manufacture and sale of electric components | 82.87% | 82.87% | 82.87% | Note 1 |
| Gold Item | Gold Tech Group Ltd. | Investing and holding | 100% | 100% | 100% | |
| Gold Tech Group Ltd. | Tongxiang Rexon Industrial Co., Ltd.(Tongxiang Rexon) | Manufacture of drills, woodworking tools and fitness equipment | 100% | 100% | 100% | |

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

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

(c) Income taxes

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

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

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

(d) Employee benefits

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

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(5) Major Sources of Accounting Assumptions, Judgements and Estimation Uncertainties:

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

In the preparation of the consolidated financial statements, the major sources of significant accounting judgments and estimation uncertainty are consistent with Note (5) of the consolidated financial statements for the year ended December 31, 2021.

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

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

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

(6) Explanation of Significant Accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2021 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) **Cash and cash equivalents**

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|--------------------------|------------------------------|--------------------------|
| Petty cash and cash on hand | \$ 1,235 | 1,051 | 1,078 |
| Checking and demand deposits | 2,206,781 | 4,573,668 | 4,124,057 |
| Time deposits | - | - | 2,786 |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>\$ 2,208,016</u> | <u>4,574,719</u> | <u>4,127,921</u> |

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|--------------------------|------------------------------|--------------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Non-derivative financial assets | | | |
| Stocks listed on domestic markets | \$ - | - | 2,692 |
| Stocks unlisted on domestic markets | 96 | 96 | 96 |
| Total | <u>\$ 96</u> | <u>96</u> | <u>2,788</u> |

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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- (i) For the gain or loss arising from the revaluation to market value, please refer to Note 6(w).
- (ii) As of June 30, 2022, December 31, 2021 and June 30, 2021, 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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|--------------------------|------------------------------|--------------------------|
| Equity investments at fair value through other comprehensive income | | | |
| Domestic Company - FALCON MACHINE | | | |
| TOOLS CO.,LTD | \$ <u>-</u> | <u>-</u> | <u>37,435</u> |

- (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 instead of holding for trading.

- (ii) For credit risk and market risk, please refer to Note 6(x).
- (iii) As of June 30, 2022, December 31, 2021 and June 30, 2021, the financial assets at fair value through other comprehensive income were not pledged as collateral.

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|--------------------------|------------------------------|--------------------------|
| Notes receivable from operating activities | \$ 1,432 | 2,276 | 1,216 |
| Notes receivable from operating activities-related parties | 16,102 | 27,543 | 5,165 |
| Less: Loss allowance | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 17,534</u> | <u>29,819</u> | <u>6,381</u> |
| Accounts receivable-measured at amortized cost | \$ 690,746 | 1,718,716 | 1,918,278 |
| Accounts receivable from related parties-measured at amortized cost | 15,474 | 11,078 | 7,408 |
| Less: Loss allowance | <u>(1,603)</u> | <u>(1,603)</u> | <u>(1,603)</u> |
| Total | <u>\$ 704,617</u> | <u>1,728,191</u> | <u>1,924,083</u> |

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

| | June 30, 2022 | | |
|--------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 624,065 | 0.04% | 254 |
| 1 to 90 days past due | 95,601 | 0.13% | 127 |
| 91 to 180 days past due | 4,087 | 29.89% | 1,221 |
| 181 to 360 days past due | - | -% | - |
| Over 360 days past due | <u>1</u> | 100% | <u>1</u> |
| Total | <u>\$ 723,754</u> | | <u>1,603</u> |

| | December 31, 2021 | | |
|--------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 885,675 | 0.02% | 184 |
| 1 to 90 days past due | 872,018 | 0.02% | 184 |
| 91 to 180 days past due | 1,370 | 50% | 685 |
| 181 to 360 days past due | 549 | 100% | 549 |
| Over 360 days past due | <u>1</u> | 100% | <u>1</u> |
| Total | <u>\$ 1,759,613</u> | | <u>1,603</u> |

| | June 30, 2021 | | |
|--------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Current | \$ 1,501,685 | -% | - |
| 1 to 90 days past due | 428,526 | -% | - |
| 91 to 180 days past due | - | -% | - |
| 181 to 360 days past due | <u>1,856</u> | 100% | <u>1,603</u> |
| Total | <u>\$ 1,932,067</u> | | <u>1,603</u> |

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(ii) The movement in the allowance for notes and accounts receivables were as follows:

| | 2022 | 2021 |
|---|-----------------|--------------|
| Balance at January 1 (which is balance at June 30) | \$ 1,603 | 1,603 |

(iii) None of the receivables was pledged as collateral as of June 30, 2022, December 31, 2021, and June 30, 2021.

(e) **Other receivables**

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------------------|--------------------------|------------------------------|--------------------------|
| Other receivables | \$ 14,932 | 11,387 | 11,672 |
| Less: Loss allowance | (11,247) | (11,247) | (11,247) |
| | \$ 3,685 | 140 | 425 |

(i) As of June 30, 2022, December 31, 2021 and June 30, 2021, there are no other receivables which are past due but not impaired.

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

| | 2022 | 2021 |
|---|------------------|---------------|
| Balance on January 1 (which is balance at June 30) | \$ 11,247 | 11,247 |

(f) **Inventories**

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------|--------------------------|------------------------------|--------------------------|
| Finished goods | \$ 361,070 | 756,447 | 699,292 |
| Work in progress | 177,087 | 220,523 | 312,901 |
| Materials | 200,367 | 240,165 | 221,966 |
| Parts | 509,847 | 725,566 | 684,818 |
| Merchandise | 11,848 | 32,574 | 7,465 |
| | \$ 1,260,219 | 1,975,275 | 1,926,442 |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------------|---|----------------|---|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Inventory scrap loss | \$ 520 | 3,109 | 2,995 | 4,739 |
| Inventory shortage | - | 150 | - | 150 |
| Revenue from sale of scraps | (837) | (6,886) | (1,730) | (11,630) |
| | \$ (317) | (3,627) | 1,265 | (6,741) |

As of June 30, 2022, December 31, 2021 and June 30, 2021, inventories were not pledged as collateral.

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(g) **Investments accounted for using equity method**

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

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|------------|--------------------------|------------------------------|--------------------------|
| Associates | <u>\$ 16,525</u> | <u>16,712</u> | <u>16,487</u> |

(i) Associates

Affiliated company's information:

| <u>Name of Associates</u> | <u>Nature of relationship with the Group</u> | <u>Main operating location/ Registered Country of the Company</u> | <u>Proportion of shareholding and voting rights</u> | | |
|-------------------------------|--|---|---|------------------------------|--------------------------|
| | | | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
| Fine Clear Corp., Ltd. | Sale of pneumatic nail gun and accessories, which is the Group's investment | Taiwan | 16% | 16% | 16% |

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

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> | |
|---|---|------------------------------|---|-------------|
| Carrying amount of individually insignificant associates' equity | <u>\$ 16,525</u> | <u>16,712</u> | <u>16,487</u> | |
| | <u>For the Three Months Ended June 30</u> | | <u>For the Six Months Ended June 30</u> | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Attributable to the Group: | | | | |
| Profit from continuing operation | \$ (194) | 212 | (187) | 293 |
| Other comprehensive income | - | - | - | - |
| Comprehensive income | <u>\$ (194)</u> | <u>212</u> | <u>(187)</u> | <u>293</u> |

(ii) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

(iii) Investments were accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

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

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

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the six months ended June 30, 2022, December 31, 2021 and June 30, 2021, were as follows:

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and equipment</u> | <u>Tooling equipment</u> | <u>Office equipment and other facilities</u> | <u>Construct ion in Progress</u> | <u>Total</u> |
|--|---------------------|------------------|--|------------------------------|--|--|------------------|
| Cost or deemed cost: | | | | | | | |
| Balance on January 1, 2022 | \$ 1,139,930 | 2,165,757 | 811,116 | 791,094 | 177,288 | - | 5,085,185 |
| Additions | - | 7,163 | 7,304 | 24,891 | 2,137 | - | 41,495 |
| Disposal | - | - | (6,945) | (3,520) | (10,487) | - | (20,952) |
| Reclassification | - | - | 33,630 | 9,369 | 1,872 | - | 44,871 |
| Effect of movements in exchange rates | <u>194</u> | <u>16,516</u> | <u>2,927</u> | <u>1,754</u> | <u>892</u> | <u>-</u> | <u>22,283</u> |
| Balance on June 30, 2022 | <u>\$ 1,140,124</u> | <u>2,189,436</u> | <u>848,032</u> | <u>823,588</u> | <u>171,702</u> | <u>-</u> | <u>5,172,882</u> |
| Balance on January 1, 2021 | \$ 946,564 | 2,068,956 | 725,055 | 866,514 | 154,644 | 79 | 4,761,812 |
| Additions | 12,924 | 23,822 | 23,992 | 24,210 | 9,880 | - | 94,828 |
| Disposal | - | - | (153,893) | (204,177) | (5,534) | - | (363,604) |
| Reclassification | - | 39,358 | 71,600 | 23,617 | 692 | (79) | 135,188 |
| Effect of movements in exchange rates | <u>(59)</u> | <u>(9,177)</u> | <u>(1,727)</u> | <u>(974)</u> | <u>(368)</u> | <u>-</u> | <u>(12,305)</u> |
| Balance on June 30, 2021 | <u>\$ 959,429</u> | <u>2,122,959</u> | <u>665,027</u> | <u>709,190</u> | <u>159,314</u> | <u>-</u> | <u>4,615,919</u> |
| Depreciation and impairment loss: | | | | | | | |
| Balance on January 1, 2022 | \$ - | 866,637 | 305,252 | 528,974 | 117,669 | - | 1,818,532 |
| Depreciation | - | 53,590 | 51,212 | 42,745 | 7,830 | - | 155,377 |
| Disposal | - | - | (5,817) | (2,967) | (6,856) | - | (15,640) |
| Effect of movements in exchange rates | <u>-</u> | <u>4,306</u> | <u>1,387</u> | <u>859</u> | <u>862</u> | <u>-</u> | <u>7,414</u> |
| Balance on June 30, 2022 | <u>\$ -</u> | <u>924,533</u> | <u>352,034</u> | <u>569,611</u> | <u>119,505</u> | <u>-</u> | <u>1,965,683</u> |
| Balance on January 1, 2021 | \$ - | 778,946 | 385,480 | 625,001 | 119,512 | - | 1,908,939 |
| Depreciation | - | 42,112 | 31,203 | 25,373 | 4,712 | - | 103,400 |
| Disposal | - | - | (150,859) | (204,073) | (4,797) | - | (359,729) |
| Effect of movements in exchange rates | <u>-</u> | <u>(2,115)</u> | <u>(732)</u> | <u>(454)</u> | <u>(325)</u> | <u>-</u> | <u>(3,626)</u> |
| Balance on June 30, 2021 | <u>\$ -</u> | <u>818,943</u> | <u>265,092</u> | <u>445,847</u> | <u>119,102</u> | <u>-</u> | <u>1,648,984</u> |
| Carrying amounts: | | | | | | | |
| Balance on January 1, 2022 | <u>\$ 1,139,930</u> | <u>1,299,120</u> | <u>505,864</u> | <u>262,120</u> | <u>59,619</u> | <u>-</u> | <u>3,266,653</u> |
| Balance on June 30, 2022 | <u>\$ 1,140,124</u> | <u>1,264,903</u> | <u>495,998</u> | <u>253,977</u> | <u>52,197</u> | <u>-</u> | <u>3,207,199</u> |
| Balance on January 1, 2021 | <u>\$ 946,564</u> | <u>1,290,010</u> | <u>339,575</u> | <u>241,513</u> | <u>35,132</u> | <u>79</u> | <u>2,852,873</u> |
| Balance on June 30, 2021 | <u>\$ 959,429</u> | <u>1,304,016</u> | <u>399,935</u> | <u>263,343</u> | <u>40,212</u> | <u>-</u> | <u>2,966,935</u> |

- (i) In response to the need for expansion in the future, the Group bought the farmland near to its factory, costing \$315,131 thousand, but the ownership of the land is temporarily not allowed to be transferred to the Group because the farmland is legally for agricultural purpose. Therefore, the farmland now is registered in the name of a shareholder who has the identity of natural person and has been pledged to the Group for security concerns.
- (ii) Gain or losses of disposal, please refer to Note 6(w).
- (iii) As of June 30, 2022, December 31, 2021 and June 30, 2021, property, plant and equipment of the Group had been pledged as collateral for bank loans; please refer to note 8.

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

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

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

| | <u>Land</u> | <u>Buildings</u> | <u>Vehicles</u> | <u>Total</u> |
|--|------------------|------------------|-----------------|----------------|
| Cost: | | | | |
| Balance at January 1, 2022 | \$ 86,329 | 51,627 | 20,899 | 158,855 |
| Redutions | - | (15,440) | (1,283) | (16,723) |
| Effect of movement in exchange rates | 1,168 | - | - | 1,168 |
| Balance at June 30, 2022 | <u>\$ 87,497</u> | <u>36,187</u> | <u>19,616</u> | <u>143,300</u> |
| Balance at January 1, 2021 | \$ 58,663 | 21,388 | 5,142 | 85,193 |
| Additions | 27,981 | 30,239 | 8,174 | 66,394 |
| Effect of movement in exchange rates | (702) | - | - | (702) |
| Balance at June 30, 2021 | <u>\$ 85,942</u> | <u>51,627</u> | <u>13,316</u> | <u>150,885</u> |
| Accumulated depreciation and impairment losses: : | | | | |
| Balance at January 1, 2022 | \$ 6,076 | 22,898 | 7,231 | 36,205 |
| Depreciation for the period | 2,081 | 12,907 | 3,322 | 18,310 |
| Redutions | - | (9,007) | (424) | (9,431) |
| Effect of movement in exchange rates | 75 | - | - | 75 |
| Balance at June 30, 2022 | <u>\$ 8,232</u> | <u>26,798</u> | <u>10,129</u> | <u>45,159</u> |
| Balance at January 1, 2021 | \$ 2,667 | 594 | 2,062 | 5,323 |
| Depreciation for the period | 1,364 | 9,397 | 2,032 | 12,793 |
| Effect of movement in exchange rates | (38) | - | - | (38) |
| Balance at June 30, 2021 | <u>\$ 3,993</u> | <u>9,991</u> | <u>4,094</u> | <u>18,078</u> |
| Carrying amount: | | | | |
| Balance at January 1, 2022 | <u>\$ 80,253</u> | <u>28,729</u> | <u>13,668</u> | <u>122,650</u> |
| Balance at June 30, 2022 | <u>\$ 79,265</u> | <u>9,389</u> | <u>9,487</u> | <u>98,141</u> |
| Balance at January 1, 2021 | <u>\$ 55,996</u> | <u>20,794</u> | <u>3,080</u> | <u>79,870</u> |
| Balance at June 30, 2021 | <u>\$ 81,949</u> | <u>41,636</u> | <u>9,222</u> | <u>132,807</u> |

(j) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of the Group for the six months ended June 30, 2022 and 2021, were as follows:

| | <u>Goodwill</u> | <u>Computer Software</u> | <u>Total</u> |
|--------------------------------------|------------------|--------------------------|----------------|
| Costs: | | | |
| Balance at January 1, 2022 | \$ 43,293 | 141,692 | 184,985 |
| Additions | - | 17,411 | 17,411 |
| Redutions | - | (1,949) | (1,949) |
| Effect of movement in exchange rates | - | 145 | 145 |
| Balance at June 30, 2022 | <u>\$ 43,293</u> | <u>157,299</u> | <u>200,592</u> |
| Balance at January 1, 2021 | \$ 43,293 | 127,372 | 170,665 |
| Additions | - | 7,114 | 7,114 |
| Effect of movement in exchange rates | - | (82) | (82) |
| Balance at June 30, 2021 | <u>\$ 43,293</u> | <u>134,404</u> | <u>177,697</u> |

(Continued)

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

| | <u>Goodwill</u> | <u>Computer Software</u> | <u>Total</u> |
|--|------------------|--------------------------|----------------|
| Amortization and impairment Loss: | | | |
| Balance at January 1, 2022 | \$ - | 122,586 | 122,586 |
| Amortization for the period | - | 8,226 | 8,226 |
| Reductions | - | (1,949) | (1,949) |
| Effect of movement in exchange rates | - | 84 | 84 |
| Balance at June 30, 2022 | <u>\$ -</u> | <u>128,947</u> | <u>128,947</u> |
| Balance at January 1, 2021 | \$ - | 107,937 | 107,937 |
| Amortization for the period | - | 7,052 | 7,052 |
| Effect of movement in exchange rates | - | (43) | (43) |
| Balance at June 30, 2021 | <u>\$ -</u> | <u>114,946</u> | <u>114,946</u> |
| Carrying value: | | | |
| Balance at January 1, 2022 | <u>\$ 43,293</u> | <u>19,106</u> | <u>62,399</u> |
| Balance at June 30, 2022 | <u>\$ 43,293</u> | <u>28,352</u> | <u>71,645</u> |
| Balance at January 1, 2021 | <u>\$ 43,293</u> | <u>19,435</u> | <u>62,728</u> |
| Balance at June 30, 2021 | <u>\$ 43,293</u> | <u>19,458</u> | <u>62,751</u> |

As of June 30, 2022, December 31, 2021 and June 30, 2021, the intangible assets of the Group were not pledged as collateral.

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

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

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--|--------------------------|------------------------------|--------------------------|
| Other current assets: | | | |
| Prepayments | \$ 63,437 | 58,328 | 110,417 |
| Business tax receivables | 16,119 | 136,889 | 137,855 |
| Temporary payments and payment on behalf of others | <u>10,318</u> | <u>14,523</u> | <u>9,076</u> |
| | <u>\$ 89,874</u> | <u>209,740</u> | <u>257,348</u> |
| | | | |
| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
| Other non-current assets: | | | |
| Prepayments for land | \$ - | - | 71,468 |
| Prepayments for equipment | 524,641 | 344,509 | 217,198 |
| Others | <u>5,620</u> | <u>6,617</u> | <u>5,371</u> |
| | <u>\$ 530,261</u> | <u>351,126</u> | <u>294,037</u> |

(Continued)

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

(l) **Short-term borrowings**

The short-term borrowings were as follows:

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|------------------------|--------------------------------|------------------------------------|--------------------------------|
| Unsecured bank loans | \$ 704,000 | 700,000 | 750,000 |
| Secured bank loans | 125,524 | 102,025 | 21,563 |
| Total | <u>\$ 829,524</u> | <u>802,025</u> | <u>771,563</u> |
| Unused credit lines | <u>\$ 3,452,681</u> | <u>3,386,903</u> | <u>1,942,441</u> |
| Range of interest rate | <u>0.85%~4.785%</u> | <u>0.67%~4.785%</u> | <u>0.8%~4.785%</u> |

(i) Additional short-term borrowings and repayments

For the six months ended June 30, 2022 and 2021, the Group had the additional short-term borrowings amounting to \$1,468,815 thousand and \$821,734 thousand, with a range of interest rate 0.75%~4.785% and 0.8%~4.785%, maturing in a range from July, 2022 to March, 2023 and May, 2021 to April, 2022, and the repayments were \$1,443,316 thousand and \$391,526 thousand, respectively.

(ii) Collateral for short-term borrowings

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

(m) Other current liabilities

The details of other current liabilities were summarized as follows:

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|-------------------|--------------------------------|------------------------------------|--------------------------------|
| Advance receipts | \$ 3,566 | 3,572 | 3,571 |
| Temporary receipt | 181,229 | 147,005 | 141,041 |
| Others | 7,796 | 5,677 | 5,785 |
| | <u>\$ 192,591</u> | <u>156,254</u> | <u>150,397</u> |

Temporary receipt is mainly received from mold sharing payment.

(n) **Long-term borrowings**

The details of long-term borrowings were as follows:

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|-------------------------------|--------------------------------|------------------------------------|--------------------------------|
| Unsecured bank loans | \$ 195,833 | 26,597 | 49,593 |
| Secured bank loans | 901,667 | 660,000 | 460,000 |
| Less: current portion | (275,000) | (93,264) | (47,286) |
| Total | <u>\$ 822,500</u> | <u>593,333</u> | <u>462,307</u> |
| Unused long-term credit lines | <u>\$ 174,167</u> | <u>470,000</u> | <u>170,000</u> |
| Range of interest rate | <u>0.7%~1.31%</u> | <u>0.45%~2.3%</u> | <u>0.45%~2.3%</u> |

(Continued)

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

(i) Additional long-term borrowings and repayments

For the six months ended June 30, 2022 and 2021, the Group had the additional long-term borrowings amounting to \$500,000 thousand and \$651,600 thousand, with a range of interest rate 1.03%~1.3% and 0.45%~1.05%, maturing in range from December, 2024 to May, 2026 and from February, 2024 to April, 2025 and the repayments were \$89,958 thousand and \$522,690 thousand, respectively.

(ii) Collateral for long-term borrowings

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

(o) **Lease liabilities**

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|-------------|--------------------------|------------------------------|--------------------------|
| Current | <u>\$ 17,421</u> | <u>34,261</u> | <u>32,976</u> |
| Non-current | <u>\$ 26,206</u> | <u>34,292</u> | <u>45,317</u> |

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

The amount recognized in profit or loss was as follows:

| | <u>For the six months ended June 30</u> | |
|---------------------------------------|---|-------------|
| | <u>2022</u> | <u>2021</u> |
| Interest expense on lease liabilities | <u>\$ 299</u> | <u>283</u> |

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

| | <u>For the six months ended June 30</u> | |
|-------------------------------|---|---------------|
| | <u>2022</u> | <u>2021</u> |
| Total cash outflow for leases | <u>\$ 17,893</u> | <u>12,003</u> |

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

(p) **Provisions**

| | <u>Warranties</u> |
|-----------------------------------|-------------------|
| Balance at January 1, 2022 | \$ 162,599 |
| Provisions made during the period | 35,411 |
| Provisions used during the period | <u>(17,286)</u> |
| Balance at June 30, 2022 | <u>\$ 180,724</u> |

(Continued)

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

| | Warranties |
|-----------------------------------|-------------------|
| Balance at January 1, 2021 | \$ 165,973 |
| Provisions made during the period | 94,164 |
| Provisions used during the period | (132,784) |
| Balance at June 30, 2021 | \$ 127,353 |

The provision for warranties relates mainly to automatic facilities and fitness equipments sold for the period ended June 30, 2022 and 2021. 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.

(q) **Employee benefits**

(i) Defined benefit plans

In prior fiscal year, there was no material volatility of the market, reimbursement and settlement or other material one-time events. As a result, pension cost in the accompanying interim financial statements is measured and disclosed as of December 31, 2021 and 2020.

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

| | For the Three months ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------------------|---------------------------------------|--------------|-------------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating costs | \$ 787 | 998 | 1,685 | 2,038 |
| Selling expenses | 78 | 160 | 225 | 320 |
| Administrative expenses | 353 | 323 | 600 | 655 |
| Research and development expenses | 179 | 218 | 439 | 408 |
| | \$ 1,397 | 1,699 | 2,949 | 3,421 |

(ii) Defined contribution plans

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

| | For the Three months ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------------------|---------------------------------------|--------------|-------------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating costs | \$ 4,372 | 5,600 | 10,096 | 12,178 |
| Selling expenses | 263 | 306 | 565 | 569 |
| Administrative expenses | 763 | 216 | 1,586 | 1,429 |
| Research and development expenses | 991 | 872 | 2,031 | 1,682 |
| | \$ 6,389 | 6,994 | 14,278 | 15,858 |

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 \$1,451 thousand, \$1,369 thousand, \$2,803 thousand and \$2,625 thousand for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021.

(Continued)

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

(r) **Income taxes**

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

| | For the Three Months ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---------------|---|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Current tax expenses | | | | |
| Current period | \$ (27,358) | 60,442 | (40,868) | 141,404 |
| Adjustment for prior periods | (7,163) | (516) | (7,163) | (516) |
| Deferred tax expenses | | | | |
| Origination and reversal of temporary differences | 3,532 | (2,031) | 4,218 | (1,878) |
| Income tax expenses from continuing operations | <u>\$ (30,989)</u> | <u>57,895</u> | <u>(43,813)</u> | <u>139,010</u> |

The amounts of income tax recognized in other comprehensive income for the three months and the six months ended June 30, 2022 and 2021 were as follows:

| | For the Three Months ended June 30 | | For the Six Months Ended June 30 | |
|---|---|--------------|---|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of foreign financial statements | <u>\$ 1,397</u> | <u>1,661</u> | <u>(4,591)</u> | <u>2,341</u> |

The income tax returns of the Company and Rexon Tech. for the years through 2019 were assessed and approved by the tax authorities.

(s) **Capital and other equity**

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to June 30, 2022 and 2021. For the related information, please refer to note 6 (s) of the consolidated financial statements for the year ended December 31, 2021.

(i) **Retained earnings**

According to the Articles of Association, the Company is required to appropriate earnings every accounting year. The after-tax earnings are initially used to offset cumulative losses, and 10% of the remainder is set aside as a legal reserve, except when the legal reserve of the Company reaches paid-in capital of the Company. Special reserve may be appropriated if necessary, 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 shareholders' meeting for approval. The Company's dividend policy is in concert with current and future development plans, investment environments, capital demands, domestic and foreign competition, and benefits of shareholders. The Company is able to distribute cash or share dividends of at least 20% of such remaining earnings every year, and the cash dividends shall not be less than 20% of the total amount dividends.

(Continued)

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

1) Special reserve

In accordance with the requirement of Financial Supervisory Commission, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. (When earnings of 2019 were distributed in 2020, the special earnings reserve was distributed from the current profit and loss and undistributed earnings of prior period. When earnings of 2020 were distributed in 2021, the special earnings reserve was distributed from the current undistributed earnings, which was income after income tax plus other items, and undistributed earnings of prior period.) A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the amounts of such special reserves were \$163,182 thousand, \$177,226 thousand and \$49,668 thousand, respectively.

2) Earnings distribution

The amount of cash dividends on appropriations of earnings for 2021 and 2020 had been approved in the board meeting on March 15, 2022 and March 15, 2021, respectively. These earnings were appropriated as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|----------------|
| Dividends distributed to ordinary shareholders | | |
| Cash | <u>\$ 544,420</u> | <u>653,305</u> |

(ii) Other equity, net of tax

| | <u>Exchange differences on translation of foreign financial statements</u> | <u>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</u> | <u>Total</u> |
|---|--|--|------------------|
| Balance at January 1, 2022 | \$ (163,182) | - | (163,182) |
| Exchange differences on foreign operations | 18,365 | - | 18,365 |
| Balance at June 30, 2022 | <u>\$ (144,817)</u> | <u>-</u> | <u>(144,817)</u> |
| Balance at January 1, 2021 | \$ (156,823) | (20,402) | (177,225) |
| Exchange differences on foreign operations | (9,361) | - | (9,361) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 3,374 | 3,374 |
| Disposal of investments in equity instruments designed at fair value through other comprehensive income | - | 1,076 | 1,076 |
| Balance at June 30, 2021 | <u>\$ (166,184)</u> | <u>(15,952)</u> | <u>(182,136)</u> |

(Continued)

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

(t) **Earnings per share**

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

| | <u>For the Three Months Ended June 30</u> | | <u>For the Six Months Ended June 30</u> | |
|--|---|----------------|---|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Basic earnings (loss) per share | | | | |
| Profit (loss) attributable to ordinary shareholders of the Company | \$ <u>(88,142)</u> | <u>234,333</u> | <u>(139,437)</u> | <u>558,793</u> |
| Weighted-average number of ordinary shares | <u>181,473</u> | <u>181,473</u> | <u>181,473</u> | <u>181,473</u> |
| Basic earnings per share | \$ <u>(0.49)</u> | <u>1.29</u> | <u>(0.77)</u> | <u>3.08</u> |
| Diluted earnings (loss) per share | | | | |
| Profit (loss) attributable to ordinary shareholders of the Company | \$ <u>(88,142)</u> | <u>234,333</u> | <u>(139,437)</u> | <u>558,793</u> |
| Weighted-average number of ordinary shares (basic) | 181,473 | 181,473 | 181,473 | 181,473 |
| Effect of dilutive potential ordinary shares | | | | |
| Effect of employee share bonus | - | 197 | - | 716 |
| Weighted-average number of ordinary shares (diluted) | <u>181,473</u> | <u>181,670</u> | <u>181,473</u> | <u>182,189</u> |
| Diluted earnings per share | \$ <u>(0.49)</u> | <u>1.29</u> | <u>(0.77)</u> | <u>3.07</u> |

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

(i) Details of revenue

| | <u>For the Three Months Ended June 30</u> | | <u>For the Six Months Ended June 30</u> | |
|-------------------------------------|---|------------------|---|------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| <u>Primary geographical markets</u> | | | | |
| America | \$ 829,028 | 4,903,442 | 2,330,407 | 8,875,789 |
| Europe | 55,101 | 59,467 | 146,757 | 99,882 |
| Asia | 58,920 | 19,688 | 100,105 | 39,012 |
| Other | 1,197 | 2,449 | 1,822 | 9,178 |
| | <u>\$ 944,246</u> | <u>4,985,046</u> | <u>2,579,091</u> | <u>9,023,861</u> |

(Continued)

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--------------------------------------|---|-------------------------|---|-------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| <u>Major products/services lines</u> | | | | |
| Woodworking tools | \$ 374,063 | 509,884 | 641,369 | 958,435 |
| Fitness equipment | 510,522 | 4,402,037 | 1,815,275 | 7,923,719 |
| Other | <u>59,661</u> | <u>73,125</u> | <u>122,447</u> | <u>141,707</u> |
| | <u>\$ 944,246</u> | <u>4,985,046</u> | <u>2,579,091</u> | <u>9,023,861</u> |

(ii) Contract balances

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|----------------------|--------------------------|------------------------------|--------------------------|
| Contract liabilities | <u>\$ 539,636</u> | <u>543,155</u> | <u>45,484</u> |

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

The amounts of revenue recognized for the three months and the six months ended June 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$2,411 thousand, \$1,256 thousand, \$5,300 thousand and \$6,743 thousand, respectively.

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

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

The remunerations to employees amounted to \$0, \$15,535 thousand, \$0 and \$37,108 thousand, respectively, for the three months and the six months ended June 30, 2022 and 2021. The remunerations to directors and supervisors amounted to \$0, \$3,107 thousand, \$0 and \$7,422 thousand, respectively, for the three months and the six months ended June 30, 2022 and 2021. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Association. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2021 and 2020, the remunerations to employees amounted to \$69,327 thousand and \$55,693 thousand and the remunerations to directors and supervisors amounted to \$7,000 thousand and \$11,139 thousand, respectively. There were no differences between the estimated amounts and the actual remuneration paid, and the information is available on the Market Observation Post System website.

(Continued)

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

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

(i) Interest income

The details of interest income were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------------------|---|-------------|---|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest income from bank deposits | \$ <u>894</u> | <u>767</u> | <u>1,149</u> | <u>1,212</u> |

(ii) Other income

The details of other income were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-------------|---|--------------|---|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Rent income | \$ 1,397 | 557 | 2,794 | 694 |
| Other | <u>2,075</u> | <u>1,473</u> | <u>4,945</u> | <u>6,686</u> |
| | <u>\$ 3,472</u> | <u>2,030</u> | <u>7,739</u> | <u>7,380</u> |

(iii) Other gains and losses

The details of other gains and losses were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|-----------------|---|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net foreign exchange gain (losses) | \$ 14,483 | (78,530) | 26,723 | (88,398) |
| Gain on lease modification | 40 | - | 40 | - |
| Net losses on disposal of property, plant and equipment | (957) | (2,479) | (1,833) | (2,926) |
| (Losses) gains on measurement of financial assets measured at fair value through profit or loss | - | 3,555 | - | 6,073 |
| Other | <u>(4,675)</u> | <u>(38)</u> | <u>(4,709)</u> | <u>(107)</u> |
| | <u>\$ 8,891</u> | <u>(77,492)</u> | <u>20,221</u> | <u>(85,358)</u> |

(iv) Finance costs

The details of finance expenses were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|----------------------------------|---|----------------|---|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest expenses | \$ (6,022) | (2,200) | (10,969) | (4,173) |
| Less: capitalization of interest | <u>1,400</u> | <u>300</u> | <u>1,900</u> | <u>300</u> |
| | <u>\$ (4,622)</u> | <u>(1,900)</u> | <u>(9,069)</u> | <u>(3,873)</u> |

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

(x) **Financial Instruments**

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

(i) **Credit risk**

1) **Concentration of credit risk**

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group reviewed the concentrations of credit risk arising from major customer at percentages below 15%、71% and 57%, respectively, of the total trade receivables. The other top five clients contributed no more than 61%, 17% and 32%, respectively, of the total receivables.

2) **Receivables and debt securities**

For credit risk exposure of notes and trade receivables, please refer to note 6(d). For the details and loss allowance of other financial assets at amortized cost including other receivables, please refer to note 6(e).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2021.

(ii) **Liquidity risk**

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

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>Over 5 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|------------------|------------------|-------------------------|
| June 30, 2022 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Secured loans | \$ 1,027,191 | 1,060,718 | 380,218 | 399,881 | 280,619 | - |
| Unsecured loans | 899,833 | 901,965 | 756,132 | 50,000 | 95,833 | - |
| Leased liabilities (current and non-current) | 43,627 | 44,840 | 17,751 | 6,775 | 9,289 | 11,025 |
| Payables | <u>1,981,243</u> | <u>1,981,243</u> | <u>1,981,243</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 3,951,894</u> | <u>3,988,766</u> | <u>3,135,344</u> | <u>456,656</u> | <u>385,741</u> | <u>11,025</u> |

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>Over 5 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|------------------|------------------|-------------------------|
| December 31, 2021 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Secured loan | \$ 762,025 | 770,243 | 174,332 | 241,770 | 354,141 | - |
| Unsecured loans | 726,597 | 728,219 | 728,219 | - | - | - |
| Leased liabilities (current and non-current) | 68,553 | 70,100 | 34,778 | 12,241 | 10,586 | 12,495 |
| Payables | <u>5,659,611</u> | <u>5,659,611</u> | <u>5,659,611</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 7,216,786</u> | <u>7,228,173</u> | <u>6,596,940</u> | <u>254,011</u> | <u>364,727</u> | <u>12,495</u> |
| June 30, 2021 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Secured loans | \$ 481,563 | 488,152 | 24,531 | 60,366 | 403,255 | - |
| Unsecured loanse | 799,593 | 801,976 | 799,669 | 2,307 | - | - |
| Leased liabilities (current and non-current) | 78,293 | 80,112 | 33,607 | 22,089 | 10,451 | 13,965 |
| Payables | <u>6,331,092</u> | <u>6,331,092</u> | <u>6,331,092</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 7,690,541</u> | <u>7,701,332</u> | <u>7,188,899</u> | <u>84,762</u> | <u>413,706</u> | <u>13,965</u> |

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

(iii) Market risk

1) Currency risk

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

| | <u>June 30, 2022</u> | | | <u>December 31, 2021</u> | | | <u>June 30, 2021</u> | | |
|------------------------------|-----------------------------|---------------------------|------------|-----------------------------|---------------------------|------------|-----------------------------|---------------------------|------------|
| | <u>Foreign Currency</u> | <u>Exchange Rates</u> | <u>NTD</u> | <u>Foreign Currency</u> | <u>Exchange Rates</u> | <u>NTD</u> | <u>Foreign Currency</u> | <u>Exchange Rates</u> | <u>NTD</u> |
| Financial Assets | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD | \$ 53,214 | 29.72 | 1,581,520 | 96,986 | 27.68 | 2,684,572 | 115,304 | 27.86 | 3,212,369 |
| EUR | 45 | 31.05 | 1,397 | 13 | 31.32 | 407 | 12 | 33.15 | 398 |
| JPY | 204,453 | 0.2182 | 44,612 | 196,874 | 0.2405 | 47,348 | 182,329 | 0.2521 | 45,461 |
| GBP | 5 | 36.07 | 180 | 5 | 37.3 | 187 | 5 | 38.54 | 193 |
| CNY | - | - | - | 7,058 | 4.344 | 30,660 | - | - | - |
| Financial Liabilities | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD | 7,695 | 29.72 | 228,695 | 13,042 | 27.68 | 361,003 | 17,740 | 27.86 | 494,236 |
| EUR | 230 | 31.05 | 7,142 | 783 | 31.32 | 24,524 | 784 | 33.15 | 25,990 |
| JPY | - | - | - | 579 | 0.2405 | 139 | - | - | - |

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency.

A strengthening or weakening of 1% of the NTD against the USD, EUR, JPY and GBP as at June 30, 2022 and 2021, would have increased or decreased the net profit after tax by \$11,135 thousand and \$21,906 thousand, respectively, with all other variables remaining constant. The analysis is performed on the same basis for June 30, 2022 and 2021.

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the six months ended June 30, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$26,723 thousand and \$(88,398) thousand, respectively.

2) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 1%, the Group's net income would have decreased or increased by \$7,708 thousand and \$5,125 thousand for the six months ended June 30, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowings at variable rates.

3) Other market price risk

For the six months ended June 30, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

| | For the six months ended June 30 | | | |
|---|---|-------------------|---|-------------------|
| | 2022 | | 2021 | |
| | Other comprehensive income after tax | Net income | Other comprehensive income after tax | Net income |
| Prices of securities at the reporting date | | | | |
| Increasing 1% | \$ - | - | 374 | 28 |
| Decreasing 1% | \$ - | - | (374) | (28) |

(vi) Fair value of financial instruments

1) Fair value hierarchy

The measurement basis of the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is repetitive. 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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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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| June 30, 2022 | | | | | |
|---|---------------------|-------------------|----------------|----------------|--------------|
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Designated at fair value through profit or loss | \$ 96 | - | - | 96 | 96 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 2,208,016 | - | - | - | - |
| Notes and trade receivables, and other receivables (including receivables from related parties) | 725,836 | - | - | - | - |
| Guarantee deposits paid | 6,476 | - | - | - | - |
| | <u>\$ 2,940,424</u> | <u>-</u> | <u>-</u> | <u>96</u> | <u>96</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | \$ 829,524 | - | - | - | - |
| Notes and trade payables, and other payables (including payables to related parties) | 1,981,243 | - | - | - | - |
| Long-term borrowings due in 1 year | 275,000 | - | - | - | - |
| Loan-term borrowings | 822,500 | - | - | - | - |
| Lease liabilities | 43,627 | - | - | - | - |
| | <u>\$ 3,951,894</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| December 31, 2021 | | | | | |
| | Book Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Designated at fair value through profit or loss | \$ 96 | - | - | 96 | 96 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 4,574,719 | - | - | - | - |
| Notes and trade receivables, and other receivables (including receivables from related parties) | 1,758,150 | - | - | - | - |
| Guarantee deposits paid | 9,053 | - | - | - | - |
| | <u>\$ 6,342,018</u> | <u>-</u> | <u>-</u> | <u>96</u> | <u>96</u> |

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

| | | December 31, 2021 | | | |
|---|---------------------|-------------------|----------|-----------|---------------|
| | | Fair Value | | | |
| | Book Value | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings | \$ 802,025 | - | - | - | - |
| Notes and trade payables, and other payables (including payables to related parties) | 5,659,611 | - | - | - | - |
| Long-term borrowings due in 1 year | 93,264 | - | - | - | - |
| Loan-term borrowings | 593,333 | - | - | - | - |
| Lease liabilities | 68,553 | - | - | - | - |
| | <u>\$ 7,216,786</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | June 30, 2021 | | | |
| | | Fair Value | | | |
| | Book Value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | | | | | |
| Designated at fair value through profit or loss | \$ 2,788 | 2,692 | - | 96 | 2,788 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks in listed companies | 37,435 | 37,435 | - | - | 37,435 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 4,127,921 | - | - | - | - |
| Notes and trade receivables, and other receivables (including receivables from related parties) | 1,930,889 | - | - | - | - |
| Guarantee deposits paid | 8,776 | - | - | - | - |
| | <u>\$ 6,107,809</u> | <u>40,127</u> | <u>-</u> | <u>96</u> | <u>40,223</u> |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings | \$ 771,563 | - | - | - | - |
| Notes and trade payables, and other payables (including payables to related parties) | 6,331,092 | - | - | - | - |
| Long-term borrowings due in 1 year | 47,286 | - | - | - | - |
| Loan-term borrowings | 462,307 | - | - | - | - |
| Lease liabilities | 78,293 | - | - | - | - |
| | <u>\$ 7,690,541</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

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

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

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

3) Valuation techniques for financial instruments measured at fair value

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

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

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The Group holds the financial instruments with the active market, the categories and characteristics of fair value are listed as follow: Fair values of listed stocks are based on market quoted prices.

4) Transfers between Level 1 and Level 2

There were no transfers in the six months ended June 30, 2022 and 2021.

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

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

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

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|----------------------------|--|--|
| Financial assets at fair value through profit or loss-equity investments without an active market | Net Asset Value Method | • Net Asset Value | Not applicable |

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

(y) **Financial risk management**

There were no significant changes in the Group's financial risk management and policies as those disclosed in Note (6)(y) of the consolidated financial statements for the year ended December 31, 2021.

(z) **Capital management**

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group and other entities in the similar 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.

As of June 30, 2022, the Group's capital management strategy is consistent with the prior year as of December 31, 2021 and prior period as of June 30, 2021. The Group's debt to equity ratio as of June 30, 2022, December 31, 2021 and June 30, 2021, were as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------|----------------------------|------------------------------|--------------------------|
| Total liabilities | \$ 4,871,336 | 8,271,030 | 8,168,296 |
| Less: cash and cash equivalents | <u>(2,208,016)</u> | <u>(4,574,719)</u> | <u>(4,127,921)</u> |
| Net debt | 2,663,320 | 3,696,311 | 4,040,375 |
| Total equity | <u>3,584,814</u> | <u>4,250,403</u> | <u>3,662,743</u> |
| Total capital | <u>\$ 6,248,134</u> | <u>7,946,714</u> | <u>7,703,118</u> |
| Debt to equity ratio | <u>43%</u> | <u>47%</u> | <u>52%</u> |

As of June 30, 2022, the decrease in debt-to-equity ratio was mainly due to the substantial decrease in revenue during the current period, hence, the relative decrease in purchases from suppliers has led to an decrease in the amount of account payable.

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

(aa) Financing activities not affecting the current cash flow

Reconciliation of the Group's liabilities arising from financing activities were as follows:

| | January 1, 2022 | Cash flows | Non-cash changes | | | June 30, 2022 |
|----------------------------------|---------------------|----------------|------------------|---------------------------------|-----------------------|------------------|
| | | | Acquisition | Foreign exchange movement | Fair value changes | |
| Long-term borrowings | \$ 686,597 | 410,042 | - | - | 861 | 1,097,500 |
| Short-term borrowings | 802,025 | 25,499 | - | - | 2,000 | 829,524 |
| Lease liabilities | 68,553 | (17,594) | - | (7,332) | - | 43,627 |
| Total liabilities from financing | \$ <u>1,557,175</u> | <u>417,947</u> | <u>-</u> | <u>(7,332)</u> | <u>2,861</u> | <u>1,970,651</u> |

| | January 1, 2021 | Cash flows | Non-cash changes | | | June 30, 2021 |
|----------------------------------|--------------------|----------------|------------------|---------------------------------|-----------------------|------------------|
| | | | Acquisition | Foreign exchange movement | Fair value changes | |
| Long-term borrowings | \$ 380,739 | 128,910 | - | - | (56) | 509,593 |
| Short-term borrowings | 336,960 | 430,208 | - | - | 4,395 | 771,563 |
| Lease liabilities | 23,619 | (11,720) | 66,394 | - | - | 78,293 |
| Total liabilities from financing | \$ <u>741,318</u> | <u>547,398</u> | <u>66,394</u> | <u>-</u> | <u>4,339</u> | <u>1,359,449</u> |

(7) Related-Party Transactions:

(a) Name and relationship with related party

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|------------------------------|------------------------------------|
| Fine Clear Co., Ltd | An associate |

(b) Significant related-party transactions

(i) Sales of goods to related party

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

| | For the three months ended June 30 | | For the six months ended June 30 | |
|-----------------------|---------------------------------------|---------------|-------------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Associates | | | | |
| – Fine Clear Co., Ltd | \$ <u>25,088</u> | <u>11,840</u> | <u>35,206</u> | <u>14,405</u> |

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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ii) Receivables from related-parties

| <u>Account</u> | <u>Related-party type</u> | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---------------------|----------------------------------|--------------------------|------------------------------|--------------------------|
| Notes receivable | Associates – Fine Clear Co., Ltd | \$ 16,102 | 27,543 | 5,165 |
| Accounts receivable | Associates – Fine Clear Co., Ltd | 15,474 | 11,078 | 7,408 |
| | | <u>\$ 31,576</u> | <u>38,621</u> | <u>12,573</u> |

iii) Payables to related-parties

| <u>Account</u> | <u>Related-party type</u> | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|----------------|----------------------------------|--------------------------|------------------------------|--------------------------|
| Notes payable | Associates – Fine Clear Co., Ltd | \$ 10 | 3,799 | 1,884 |
| Other payables | Associates – Fine Clear Co., Ltd | 4 | 17 | 904 |
| | | <u>\$ 14</u> | <u>3,816</u> | <u>2,788</u> |

(c) Key management personnel compensation

| | <u>For the three months ended June 30</u> | | <u>For the six months ended June 30</u> | |
|------------------------------|---|--------------|---|---------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Short-term employee benefits | \$ 9,119 | 7,634 | 17,614 | 13,907 |
| Post-employment benefits | 361 | 267 | 775 | 520 |
| Termination benefits | - | - | - | - |
| Other long-term benefits | - | - | - | - |
| Share-based payments | - | - | - | - |
| | <u>\$ 9,480</u> | <u>7,901</u> | <u>18,389</u> | <u>14,427</u> |

(8) Pledged Assets:

The carrying amounts of pledged assets were as follow:

| <u>Pledged assets</u> | <u>Object</u> | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|-----------------------|--------------------------|--------------------------|------------------------------|--------------------------|
| Land | Guarantee for bank loans | \$ 296,916 | 296,916 | 296,916 |
| Buildings | Guarantee for bank loans | 835,293 | 853,440 | 867,735 |
| | | <u>\$ 1,132,209</u> | <u>1,150,356</u> | <u>1,164,651</u> |

(9) Significant Commitments and Contingencies:

The Group's unrecognized contractual commitments are as follows:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--|--------------------------|------------------------------|--------------------------|
| Acquisition of property, plant and equipment | <u>\$ 232,731</u> | <u>265,343</u> | <u>386,762</u> |

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Others:

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

| By function | For the three months ended June 30 | | | | | |
|----------------------------|------------------------------------|--------------------|---------|----------------|--------------------|---------|
| | 2022 | | | 2021 | | |
| | Operating cost | Operating expenses | Total | Operating cost | Operating expenses | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salary | 106,188 | 54,777 | 160,965 | 227,388 | 37,829 | 265,217 |
| Labor and health insurance | 13,188 | 6,018 | 19,206 | 18,161 | 4,508 | 22,669 |
| Pension | 6,450 | 2,787 | 9,237 | 7,832 | 2,230 | 10,062 |
| Others | 2,659 | 593 | 3,252 | 4,544 | 424 | 4,968 |
| Depreciation | 76,731 | 11,363 | 88,094 | 54,725 | 8,083 | 62,808 |
| Amortization | 1,112 | 3,379 | 4,491 | 625 | 3,076 | 3,701 |

| By function | For the six months ended June 30 | | | | | |
|----------------------------|----------------------------------|--------------------|---------|----------------|--------------------|---------|
| | 2022 | | | 2021 | | |
| | Operating cost | Operating expenses | Total | Operating cost | Operating expenses | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salary | 248,172 | 115,354 | 363,526 | 467,282 | 134,228 | 601,510 |
| Labor and health insurance | 29,997 | 12,204 | 42,201 | 38,076 | 10,805 | 48,881 |
| Pension | 14,267 | 5,763 | 20,030 | 16,575 | 5,329 | 21,904 |
| Others | 5,949 | 1,139 | 7,088 | 8,836 | 1,128 | 9,964 |
| Depreciation | 151,379 | 22,308 | 173,687 | 100,904 | 15,289 | 116,193 |
| Amortization | 1,657 | 6,569 | 8,226 | 1,224 | 5,828 | 7,052 |

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

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

(13) Other Disclosures:

(a) Information on Significant Transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2022:

- (i) Lending to other parties: None.
- (ii) Guarantees and endorsements for other parties:

(Amounts in Thousands of New Taiwan Dollars)

| No. (Note 2) | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1) | Highest balance for guarantees and endorsements during the period (USD5,000) 148,600 | 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 (Note 1) | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|-----------------|---------------------------------------|--|---|--|---|--|--|--|---|---|--|--|--|
| | | Name | Relationship with the Company (Note 3) | | | | | | | | | | |
| 0 | REXON INDUSTRIAL CORP., LTD. | Tongxiang Rexon | 2 | 1,423,838 | (USD5,000) 148,600 | - | - | - | - % | 1,423,838 | Y | N | Y |

Note1 : The maximum amount of each guarantee and endorsement provided to each party and the total guarantee and endorsements shall not exceed 40% of the Company’s net asset value.

Note2 : No.0 represents the parent company.

Note3 : Relationship with the Company :

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

(iii) Securities held as of June 30, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(Amounts in Thousands of New Taiwan Dollars)

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

- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company’s paid-in capital: None.
- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company’s paid-in capital: None.
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the the Company’s paid-in capital: None.

(Continued)

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

- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

| Company name | Related party | Nature of relationship | Transaction details | | | | Abnormal Transactions | | Notes/Accounts receivable (payable) | | Note |
|------------------------------|------------------|------------------------|---------------------|---------|-----------------------------------|---------------|-----------------------|---------------|-------------------------------------|---|------|
| | | | Item | Amount | Percentage of the purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of notes/accounts receivable (payable) | |
| REXON INDUSTRIAL CORP., LTD. | Tongxiang Rexion | Subsidiary | Purchase | 479,298 | 36 % | 90~150Days | Note 1 | Note 2 | (146,896) | (18.7)% | |

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

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

- (viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

| Company name | Related party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|------------------|------------------------------|------------------------|-------------------------------|---------------|---------|--------------|---|-------------------------|
| | | | | | Amount | Action taken | | |
| Tongxiang Rexion | REXON INDUSTRIAL CORP., LTD. | Parent company | Account receivable 146,896 | 8.38% | - | - | The recovery amount as of July 21, 2022 : 105,283 | - |

- (ix) Information regarding trading in derivative financial instruments:None.

- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the six months ended June 30, 2022:

(Amounts in Thousands of New Taiwan Dollars)

| No. (Note 1) | Company name | Counter Party | Relationship (Note 2) | Intercompany transactions | | | |
|-----------------|------------------------------|-------------------------------|--------------------------|---------------------------|---------|--|--|
| | | | | Account | Amount | Terms | Percentage of the consolidated net revenue or total assets |
| 0 | REXON INDUSTRIAL CORP., LTD. | Tongxiang Rexion | 1 | Purchases | 479,298 | The sales prices and payment terms were by agreement | 18.58% |
| 0 | REXON INDUSTRIAL CORP., LTD. | Tongxiang Rexion | 1 | Accounts payable | 146,896 | The sales prices and payment terms were by agreement | 1.74% |
| 0 | REXON INDUSTRIAL CORP., LTD. | Rexion Technology Corp., Ltd. | 1 | Purchases | 33,004 | The sales prices and payment terms were by agreement | 1.28% |
| 0 | REXON INDUSTRIAL CORP., LTD. | Rexion Technology Corp., Ltd. | 1 | Accounts payable | 8,656 | The sales prices and payment terms were by agreement | 0.10% |
| 0 | REXON INDUSTRIAL CORP., LTD. | Power Tool specialists Inc. | 1 | Service fee | 21,593 | The sales prices and payment terms were by agreement | 0.84% |
| 0 | REXON INDUSTRIAL CORP., LTD. | Power Tool Specialists Inc. | 1 | Other payable | 98,560 | The sales prices and payment terms were by agreement | 1.17% |
| 0 | REXON INDUSTRIAL CORP., LTD. | Power Tool Specialists Inc. | 1 | Account receivable | 5,465 | The sales prices and payment terms were by agreement | 0.06% |
| 0 | REXON INDUSTRIAL CORP., LTD. | Power Tool Specialists Inc. | 1 | Sales | 7,157 | The sales prices and payment terms were by agreement | 0.28% |

Note 1: Company numbering as follows:

- 1) Parent company—0
- 2) Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

- 1) Parent company to subsidiary—1

(Continued)

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

- 2) Subsidiary to parent company – 2
3) Subsidiary to subsidiary – 3

(b) Information on Investees:

The followings are the information on investees for the six months ended June 30, 2022:

(Amounts in Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of June 30, 2022 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------------------|---|------------------------|---|----------------------------|-------------------|-----------------------------|------------|----------------|---------------------------------|-------------------------------------|---|
| | | | | June 30, 2022 | December 31, 2021 | Shares (thousands) | Percentage | Carrying value | | | |
| REXON INDUSTRIAL CORP., LTD. | Fine Clear Co., Ltd | R.O.C | Buying and selling accessories | 14,197 | 14,197 | 1,600 | 16.00 % | 16,525 | (1,170) | (187) | Investment Using Equity Method (Note 1) |
| REXON INDUSTRIAL CORP., LTD. | Rexon Technology Corp., Ltd. (Rexon Tech) | R.O.C | Manufacture and sale of electric components | 293,741 | 293,741 | 7,851 | 82.87 % | 94,829 | (3,362) | (2,786) | Direct subsidiaries of the Company (Note 1) |
| REXON INDUSTRIAL CORP., LTD. | Power Tool Specialists Inc. | U.S.A | Merchandise trading | 196,465 | 196,465 | - | 96.00 % | 159,135 | 2,445 | 2,347 | Direct subsidiaries of the Company (Note 1) |
| REXON INDUSTRIAL CORP., LTD. | Gold Item Group Ltd. | British Virgin Islands | Investing and holding | 747,858 | 747,858 | US\$ 25,000 (Note 2) | 100.00 % | 686,127 | (23,345) | (23,345) | 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 2) | 100.00 % | 665,668 | (23,345) | (23,345) | Direct subsidiaries of Gold Item |

Note1 : Disclosures were on basis of investees' financial reports not reviewed by auditors, and share of profits/losses were disclosed by the portion of shares held by the investors.

Note2 : Company Limited without issuing Shares. The amount of capital invested is disclosed.

(c) Information on Investment in Mainland China:

- (i) The following is the information on investees in Mainland China::

(Amounts in Thousands of New Taiwan Dollars)

| Investee company | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2022 | Net income (losses) of the investee | Percentage of ownership | Net income (losses) recognized | Carrying value as of June 30, 2022 | Accumulated remittance of earnings as of June 30, 2022 |
|------------------|--|---------------------------------|----------------------|---|------------------|--------|---|-------------------------------------|-------------------------|--------------------------------|------------------------------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| Tongxiang Rexon | Manufacture of drills, woodworking tools and fitness equipment | RMB 154,465 USD 25,000 - | Note 1 | USD 25,000 NTD 745,565 | - | - | USD 25,000 NTD 745,565 | (23,345) | 100.00% | (23,345) | 665,668 | - |

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

(Continued)

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

(ii) Upper limit on investment in Mainland China:

The Company

(Amounts in Thousands of New Taiwan Dollars)

| Accumulated Investment in Mainland China as of June 30, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| US\$25,000 (NT\$745,565) | US\$25,000 (NT\$745,565) | 2,135,758 |

(iii) Significant transactions:

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

(d) Major shareholders:

| Shareholder's Name | Shareholding | Shares | Percentage |
|--|--------------|------------|------------|
| Kun-Ju Co., Ltd. | | 18,735,302 | 10.32 % |
| Trust Account entrusted by Shu-Qi Chen in Li-Tai Investing Corp., Ltd. | | 9,617,000 | 5.29 % |

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

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

(14) Segment Information:

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