

**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.

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Statements of Financial Position	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Overview	8
(2) Financial Statements Authorization Date and Authorization process	8
(3) New standards, Amendments and Interpretations Adopted	8~9
(4) Significant Accounting Policies	9~10
(5) Major Sources of Accounting Assumptions, Judgements and Estimation Uncertainties	11
(6) Explanation of Significant Accounts	11~34
(7) Related-Party Transactions	34~35
(8) Pledged Assets	35
(9) Significant Commitments and Contingencies	35
(10) Losses Due to Major Disasters	36
(11) Subsequent Events	36
(12) Others	36
(13) Other Disclosures	
(a) Information on Significant Transactions	37~39
(b) Information on Investees	39
(c) Information on Investment in Mainland China	39~40
(d) Major Shareholders	40
(14) Segment Information	40



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## INDEPENDENT AUDITORS' REVIEW REPORT

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

### Introduction

We have reviewed the accompanying consolidated statements of financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, as well as the changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4 (b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$228,753 thousand and NT\$302,779 thousand, both constituting 3% of consolidated total assets as of June 30, 2022 and 2021, respectively, total liabilities amounting to NT\$48,669 thousand and NT\$171,691 thousand, constituting 1% and 2% of consolidated total liabilities as of June 30, 2022 and 2021, respectively, and total comprehensive income (loss) amounting to NT\$(20,218) thousand, NT\$(119,977) thousand, NT\$(48,357) thousand, and NT\$(229,259) thousand, constituting (22)%, (51)%, (39)% and (41)% of consolidated total comprehensive income (loss) for the three months and the six months ended June 30, 2022 and 2021, respectively.

Furthermore, as stated in Note 6 (g), the other equity accounted investments of Rexon Industrial Corp., Ltd. and its subsidiaries in its investee company of NT\$16,525 thousand and NT\$16,487 thousand as of June 30, 2022 and 2021, respectively, and its equity in net earnings (loss) on this investee company of NT\$(194) thousand, NT\$212 thousand, NT\$(187) thousand, and 293 thousand for the three months and the six months ended June 30, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of June 30, 2022 and 2021, and of its consolidated financial performance for the three months and the six months ended June 30, 2022 and 2021, as well as its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Shyh-Huar Kuo and Chun-Yuan Wu.

KPMG

Taipei, Taiwan (Republic of China)  
August 4, 2022

**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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

**Consolidated Statements of Financial Position**  
**June 30, 2022, December 31, 2021, and June 30, 2021**  
 (Expressed in thousands of New Taiwan Dollar)

	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
1100 Cash and cash equivalents (note 6 (a))	\$ 2,208,016	26	4,574,719	36	4,127,921	35
1110 Current financial assets at fair value through profit or loss (note 6 (b))	96	-	96	-	2,788	-
1120 Current financial assets at fair value through other comprehensive income (note 6 (c))	-	-	-	-	37,435	1
1150 Notes receivable, net (note 6 (d))	1,432	-	2,276	-	1,216	-
1160 Notes receivable due from related parties, net (note 6 (d) and 7)	16,102	-	27,543	-	5,165	-
1170 Accounts receivable, net (note 6 (d))	689,143	8	1,717,113	14	1,916,675	16
1180 Accounts receivable due from related parties, net (note 6 (d) and 7)	15,474	-	11,078	-	7,408	-
1200 Other receivables, net (note 6 (e))	3,685	-	140	-	425	-
1220 Current tax assets	56,886	1	-	-	-	-
130X Inventories (note 6 (f))	1,260,219	15	1,975,275	16	1,926,442	16
1479 Other current assets (note 6 (k))	89,874	1	209,740	2	257,348	2
	<u>4,340,927</u>	<u>51</u>	<u>8,517,980</u>	<u>68</u>	<u>8,282,823</u>	<u>70</u>
<b>Non-current assets:</b>						
1550 Investments accounted for using equity method, net (note 6 (g))	16,525	-	16,712	-	16,487	-
1600 Property, plant and equipment (note 6 (h) and 8)	3,207,199	38	3,266,653	26	2,966,935	25
1755 Right-of-use assets (note 6 (i))	98,141	1	122,650	1	132,807	1
1780 Intangible assets (note 6 (j))	71,645	1	62,399	-	62,751	-
1840 Deferred tax assets	75,386	1	84,195	1	66,423	1
1920 Guarantee deposits paid	6,476	-	9,053	-	8,776	-
1975 Net defined benefit asset, non-current	109,590	2	90,665	1	-	-
1990 Other non-current assets (note 6 (k))	530,261	6	351,126	3	294,037	3
	<u>4,115,223</u>	<u>49</u>	<u>4,003,453</u>	<u>32</u>	<u>3,548,216</u>	<u>30</u>
<b>Total assets</b>	<b>\$ 8,456,150</b>	<b>100</b>	<b>12,521,433</b>	<b>100</b>	<b>11,831,039</b>	<b>100</b>
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
Short-term borrowings (note 6 (l) and 8)	\$ 829,524	10	802,025	7	771,563	7
Current contract liabilities (note 6 (u))	539,636	6	543,155	4	45,484	-
Notes payable	153,732	2	1,391,468	11	1,288,951	11
Notes payable to related parties (note 7)	10	-	3,799	-	1,884	-
Accounts payable	632,274	8	3,509,685	28	3,623,738	31
Dividends payable	544,420	7	-	-	653,305	6
Other payables	650,803	8	754,642	6	762,310	6
Other payables to related parties (note 7)	4	-	17	-	904	-
Current tax liabilities	-	-	185,745	2	141,379	1
Current provisions (note 6 (p))	180,724	2	162,599	1	127,353	1
Current lease liabilities (note 6 (o))	17,421	-	34,261	-	32,976	-
Long-term borrowing, current portion (note 6 (n) and 8)	275,000	3	93,264	1	47,286	-
Other current liabilities (note 6 (m))	192,591	2	156,254	1	150,397	2
	<u>4,016,139</u>	<u>48</u>	<u>7,636,914</u>	<u>61</u>	<u>7,647,530</u>	<u>65</u>
<b>Non-Current liabilities:</b>						
Long-term borrowings (note 6 (n) and 8)	822,500	10	593,333	5	462,307	4
Deferred tax liabilities	6,491	-	6,491	-	10,721	-
Non-current lease liabilities (note 6 (o))	26,206	-	34,292	-	45,317	-
Net defined benefit liability, non-current	-	-	-	-	2,421	-
	<u>855,197</u>	<u>10</u>	<u>634,116</u>	<u>5</u>	<u>520,766</u>	<u>4</u>
<b>Total liabilities</b>	<b>4,871,336</b>	<b>58</b>	<b>8,271,030</b>	<b>66</b>	<b>8,168,296</b>	<b>69</b>
<b>Equity attributable to owners of parent: (note 6 (s))</b>						
Ordinary shares	1,814,735	22	1,814,735	14	1,814,735	15
Capital surplus	586	-	586	-	586	-
Retained earnings	1,889,093	22	2,572,950	21	2,002,469	17
Other equity	(144,817)	(2)	(163,182)	(1)	(182,136)	(1)
<b>Total equity attributable to owners of parent:</b>	<b>3,559,597</b>	<b>42</b>	<b>4,225,089</b>	<b>34</b>	<b>3,635,654</b>	<b>31</b>
Non-controlling interests	25,217	-	25,314	-	27,089	-
	<u>3,584,814</u>	<u>42</u>	<u>4,250,403</u>	<u>34</u>	<u>3,662,743</u>	<u>31</u>
<b>Total liabilities and equity</b>	<b>\$ 8,456,150</b>	<b>100</b>	<b>12,521,433</b>	<b>100</b>	<b>11,831,039</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Comprehensive Income**

**For the three months and six months ended June 30, 2022 and 2021**

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

	For the three months ended June 30				For the six months ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue, net</b> ( note 6 (u) and 7)	\$ 944,246	100	4,985,046	100	2,579,091	100	9,023,861	100
5000 Operating costs (note 6 (f) and (q))	<u>921,328</u>	<u>98</u>	<u>4,354,218</u>	<u>87</u>	<u>2,471,307</u>	<u>96</u>	<u>7,728,523</u>	<u>86</u>
<b>Gross profit from operations</b>	<u>22,918</u>	<u>2</u>	<u>630,828</u>	<u>13</u>	<u>107,784</u>	<u>4</u>	<u>1,295,338</u>	<u>14</u>
6000 <b>Operating expenses (note 6 (q) and (v)):</b>								
6100 Selling expenses	62,403	7	151,912	3	134,580	5	290,712	3
6200 Administrative expenses	50,802	5	59,280	1	97,939	4	114,035	1
6300 Research and development expenses	<u>37,487</u>	<u>4</u>	<u>49,062</u>	<u>1</u>	<u>78,846</u>	<u>3</u>	<u>107,640</u>	<u>1</u>
<b>Total operating expenses</b>	<u>150,692</u>	<u>16</u>	<u>260,254</u>	<u>5</u>	<u>311,365</u>	<u>12</u>	<u>512,387</u>	<u>5</u>
<b>Net operating (loss) income</b>	<u>(127,774)</u>	<u>(14)</u>	<u>370,574</u>	<u>8</u>	<u>(203,581)</u>	<u>(8)</u>	<u>782,951</u>	<u>9</u>
7000 <b>Non-operating income and expenses:</b>								
7100 Interest income (note 6 (w))	894	-	767	-	1,149	-	1,212	-
7010 Other income (note 6 (w))	3,472	-	2,030	-	7,739	-	7,380	-
7020 Other gains and losses, net (note 6 (w))	8,891	1	(77,492)	(2)	20,221	1	(85,358)	(1)
7050 Finance costs (note 6 (w))	(4,622)	-	(1,900)	-	(9,069)	-	(3,873)	-
7060 Shares of profit of associates accounted for using equity method (note 6 (g))	<u>(194)</u>	<u>-</u>	<u>212</u>	<u>-</u>	<u>(187)</u>	<u>-</u>	<u>293</u>	<u>-</u>
	<u>8,441</u>	<u>1</u>	<u>(76,383)</u>	<u>(2)</u>	<u>19,853</u>	<u>1</u>	<u>(80,346)</u>	<u>(1)</u>
7900 <b>Profit (loss) before income tax</b>	(119,333)	(13)	294,191	6	(183,728)	(7)	702,605	8
7950 Income (benefit) tax expense (note 6 (r))	<u>(30,989)</u>	<u>(3)</u>	<u>57,895</u>	<u>1</u>	<u>(43,813)</u>	<u>(1)</u>	<u>139,010</u>	<u>2</u>
8200 <b>(Loss) Profit</b>	<u>(88,344)</u>	<u>(10)</u>	<u>236,296</u>	<u>5</u>	<u>(139,915)</u>	<u>(6)</u>	<u>563,595</u>	<u>6</u>
8300 <b>Other comprehensive income:</b>								
8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>								
8316 Unrealized loss from investments in equity instruments measured at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>5,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,374</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss:</b>								
8361 Exchange differences on translation	(6,779)	-	(8,436)	-	23,337	1	(14,608)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (r))	<u>1,397</u>	<u>-</u>	<u>1,661</u>	<u>-</u>	<u>(4,591)</u>	<u>-</u>	<u>2,341</u>	<u>-</u>
8300 <b>Other comprehensive income (after tax)</b>	<u>(5,382)</u>	<u>-</u>	<u>(1,753)</u>	<u>-</u>	<u>18,746</u>	<u>1</u>	<u>(8,893)</u>	<u>-</u>
8500 <b>Comprehensive income</b>	<u>\$ (93,726)</u>	<u>(10)</u>	<u>234,543</u>	<u>5</u>	<u>(121,169)</u>	<u>(5)</u>	<u>554,702</u>	<u>6</u>
<b>Profit (loss) attributable to:</b>								
8610 Owners of parent	\$ (88,142)	(10)	234,333	5	(139,437)	(6)	558,793	6
8620 Non-controlling interests	<u>(202)</u>	<u>-</u>	<u>1,963</u>	<u>-</u>	<u>(478)</u>	<u>-</u>	<u>4,802</u>	<u>-</u>
	<u>\$ (88,344)</u>	<u>(10)</u>	<u>236,296</u>	<u>5</u>	<u>(139,915)</u>	<u>(6)</u>	<u>563,595</u>	<u>6</u>
<b>Comprehensive income attributable to:</b>								
8710 Owners of parent	\$ (93,729)	(10)	232,709	5	(121,072)	(5)	552,806	6
8720 Non-controlling interests	<u>3</u>	<u>-</u>	<u>1,834</u>	<u>-</u>	<u>(97)</u>	<u>-</u>	<u>1,896</u>	<u>-</u>
	<u>\$ (93,726)</u>	<u>(10)</u>	<u>234,543</u>	<u>5</u>	<u>(121,169)</u>	<u>(5)</u>	<u>554,702</u>	<u>6</u>
<b>Earnings per share (NT dollars) (note 6 (t))</b>								
9750 <b>Basic earnings (loss) per share</b>	<u>\$ (0.49)</u>		<u>1.29</u>		<u>(0.77)</u>		<u>3.08</u>	
9850 <b>Diluted earnings (loss) per share</b>	<u>\$ (0.49)</u>		<u>1.29</u>		<u>(0.77)</u>		<u>3.07</u>	

See accompanying notes to consolidated financial statements.

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 Reviewed only, not audited in accordance with generally accepted standards  
**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the six months ended June 30, 2022 and 2021**  
**(expressed in thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent										
	Share capital					Other equity					Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	
<b>Balance at January 1, 2021</b>	\$ 1,814,735	433	265,379	49,668	1,783,010	(156,823)	(20,402)	(177,225)	3,736,000	25,193	3,761,193
Appropriation and distribution of retained earnings:											
Cash dividends of ordinary share	-	-	-	-	(653,305)	-	-	-	(653,305)	-	(653,305)
Profit for the period	-	-	-	-	558,793	(9,361)	3,374	(5,987)	558,793	4,802	563,595
Other comprehensive income for the period	-	-	-	-	-	(9,361)	3,374	(5,987)	(5,987)	(2,906)	(8,893)
Comprehensive income	-	-	-	-	558,793	(9,361)	3,374	(5,987)	552,806	1,896	554,702
Changes in ownership interests in subsidiaries	-	153	-	-	-	-	-	-	153	-	153
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,076)	-	1,076	1,076	-	-	-
<b>Balance at June 30, 2021</b>	\$ 1,814,735	586	265,379	49,668	1,687,422	(166,184)	(15,952)	(182,136)	3,635,654	27,089	3,662,743
<b>Balance at January 1, 2022</b>	\$ 1,814,735	586	363,103	177,226	2,032,621	(163,182)	-	(163,182)	4,225,089	25,314	4,250,403
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	112,820	-	(112,820)	-	-	-	-	-	-
Cash dividends or ordinary share	-	-	-	-	(544,420)	-	-	-	(544,420)	-	(544,420)
Special reserve	-	-	-	(14,044)	14,044	-	-	-	-	-	-
Loss for the period	-	-	112,820	(14,044)	(643,196)	(643,196)	(544,420)	-	(544,420)	(478)	(139,915)
Other comprehensive income for the period	-	-	-	-	(139,437)	-	-	-	(139,437)	381	18,746
Comprehensive income	-	-	-	-	(139,437)	18,365	-	18,365	18,365	(97)	(121,169)
<b>Balance at June 30, 2022</b>	\$ 1,814,735	586	475,923	163,182	1,249,988	(144,817)	-	(144,817)	3,559,597	25,217	3,584,814

See accompanying notes to consolidated financial statements.

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Reviewed only, not audited in accordance with generally accepted standards  
**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the three months and six months ended June 30, 2022 and 2021**

**(Expressed in thousands of New Taiwan Dollar)**

	For the six months ended June 30	
	2022	2021
<b>Cash flows from operating activities:</b>		
(Loss) profit before tax	\$ (183,728)	702,605
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expenses	173,687	116,193
Amortization expenses	8,226	7,052
Interest expenses	9,069	3,873
Interest income	(1,149)	(1,212)
Shares of profit of associates accounted for using equity method	187	(293)
Losses on disposal of property, plant and equipment	1,833	2,926
Gain on lease modification	(40)	-
Total adjustments to reconcile profit	<u>191,813</u>	<u>128,539</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	-	15,682
Notes receivable	844	(1,107)
Notes receivable due from related parties	11,441	1,169
Accounts receivable	1,027,970	463,466
Accounts receivable due from related parties	(4,396)	(4,056)
Other receivables	(3,545)	97
Inventories	715,056	(830,248)
Other current assets	119,866	(65,840)
Net defined benefit assets	(18,925)	80
Other operating assets	997	(2,072)
	<u>1,849,308</u>	<u>(422,829)</u>
<b>Changes in operating liabilities:</b>		
Contract liabilities	(3,519)	18,030
Notes payable	(1,237,736)	499,710
Notes payable to related parties	(3,789)	1,041
Accounts payable	(2,877,411)	383,929
Other payables	(65,054)	204,694
Other payables to related parties	(13)	443
Other current liabilities	54,462	(21,089)
Net defined benefit liability	-	2,421
	<u>(4,133,060)</u>	<u>1,089,179</u>
Total changes in operating assets and liabilities	<u>(2,283,752)</u>	<u>666,350</u>
Total adjustments	<u>(2,091,939)</u>	<u>794,889</u>
Cash (outflow) inflow generated from operations	(2,275,667)	1,497,494
Interest received	1,149	1,212
Dividends received	-	800
Interest paid	(8,913)	(4,009)
Tax paid	(194,600)	(95,279)
<b>Net cash from (used in) operating activities</b>	<u>(2,478,031)</u>	<u>1,400,218</u>
<b>Cash flows from (used in) investing activities:</b>		
Changes in ownership interests in subsidiaries	-	153
Decrease in restricted assets	-	8,000
Acquisition of property, plant and equipment	(80,436)	(101,988)
Proceeds from disposal of property, plant and equipment	3,479	949
Decrease (increase) in refundable deposits	2,577	(4,373)
Acquisition of intangible assets	(17,411)	(7,114)
Increase in prepayments for land	-	(71,468)
Increase in prepayments for business facilities	(225,003)	(252,594)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	2,115
<b>Net cash used in investing activities</b>	<u>(316,794)</u>	<u>(426,320)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	1,468,815	821,734
Decrease in short-term borrowings	(1,443,316)	(391,526)
Increase from long-term borrowings	500,000	651,600
Repayments of long-term borrowings	(89,958)	(522,690)
Payment of lease liabilities	(17,594)	(11,720)
<b>Net cash from (used in) financing activities</b>	<u>417,947</u>	<u>547,398</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>10,175</u>	<u>(6,504)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(2,366,703)</u>	<u>1,514,792</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>4,574,719</u>	<u>2,613,129</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 2,208,016</u>	<u>4,127,921</u>

See accompanying notes to consolidated financial statements.



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

(Continued)

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

- (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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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.

(Continued)

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

**(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**  
**Notes to the Consolidated Financial Statements**

**(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**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<b>Mandatorily measured at fair value through profit or loss:</b>			
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>

(Continued)

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

- (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**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<b>Equity investments at fair value through other comprehensive income</b>			
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)**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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	-	-	-
Total	<b>\$ 17,534</b>	<b>29,819</b>	<b>6,381</b>
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	(1,603)	(1,603)	(1,603)
Total	<b>\$ 704,617</b>	<b>1,728,191</b>	<b>1,924,083</b>

(Continued)

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

- (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:

	<b>June 30, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
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>

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
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>

	<b>June 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
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>

(Continued)

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

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

	<u>2022</u>	<u>2021</u>
Balance at January 1 (which is balance at June 30)	\$ <u>1,603</u>	<u>1,603</u>

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

(e) **Other receivables**

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

(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:

	<u>2022</u>	<u>2021</u>
Balance on January 1 (which is balance at June 30)	\$ <u>11,247</u>	<u>11,247</u>

(f) **Inventories**

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
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
	<u>\$ 1,260,219</u>	<u>1,975,275</u>	<u>1,926,442</u>

Details of inventory related losses (profit) 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>
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)
	<u>\$ (317)</u>	<u>(3,627)</u>	<u>1,265</u>	<u>(6,741)</u>

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

(Continued)

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

(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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>	
Carrying amount of individually insignificant associates' equity	<u>\$ 16,525</u>	<u>16,712</u>	<u>16,487</u>	
	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<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.

(Continued)



**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>
<b>Cost or deemed cost:</b>							
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	194	16,516	2,927	1,754	892	-	22,283
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	(59)	(9,177)	(1,727)	(974)	(368)	-	(12,305)
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>
<b>Depreciation and impairment loss:</b>							
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	-	4,306	1,387	859	862	-	7,414
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	-	(2,115)	(732)	(454)	(325)	-	(3,626)
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>
<b>Carrying amounts:</b>							
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.

(Continued)

**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>
<b>Cost:</b>				
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>
<b>Accumulated depreciation and impairment losses: :</b>				
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>
<b>Carrying amount:</b>				
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>
<b>Costs:</b>			
Balance at January 1, 2022	\$ 43,293	141,692	184,985
Additions	-	17,411	17,411
Reductions	-	(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>
<b>Amortization and impairment Loss:</b>			
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>
<b>Carrying value:</b>			
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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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:

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
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:

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
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**

	<b>Warranties</b>
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**

	<b>Warranties</b>
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	<b>\$ 127,353</b>

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
	<b>\$ 1,397</b>	<b>1,699</b>	<b>2,949</b>	<b>3,421</b>

(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
	<b>\$ 6,389</b>	<b>6,994</b>	<b>14,278</b>	<b>15,858</b>

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:

	<b>For the Three Months ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
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:

	<b>For the Three Months ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
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:

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

(ii) Other equity, net of tax

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income</b>	<b>Total</b>
Balance at January 1, 2022	\$ (163,182)	-	(163,182)
Exchange differences on foreign operations	18,365	-	18,365
Balance at June 30, 2022	<b>\$ (144,817)</b>	-	<b>(144,817)</b>
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	<b>\$ (166,184)</b>	<b>(15,952)</b>	<b>(182,136)</b>

(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:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
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

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<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**

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<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>
	<b><u>\$ 944,246</u></b>	<b><u>4,985,046</u></b>	<b><u>2,579,091</u></b>	<b><u>9,023,861</u></b>

(ii) Contract balances

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

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:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
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:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
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:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
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:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
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>

(Continued)

**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>
<b>June 30, 2022</b>						
<b>Non-derivative financial liabilities</b>						
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**  
**Notes to the Consolidated Financial Statements**

	<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>
<b>December 31, 2021</b>						
<b>Non-derivative financial liabilities</b>						
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>
	<b><u>\$ 7,216,786</u></b>	<b><u>7,228,173</u></b>	<b><u>6,596,940</u></b>	<b><u>254,011</u></b>	<b><u>364,727</u></b>	<b><u>12,495</u></b>
<b>June 30, 2021</b>						
<b>Non-derivative financial liabilities</b>						
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>
	<b><u>\$ 7,690,541</u></b>	<b><u>7,701,332</u></b>	<b><u>7,188,899</u></b>	<b><u>84,762</u></b>	<b><u>413,706</u></b>	<b><u>13,965</u></b>

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>
<b>Financial Assets</b>									
<b>Monetary items</b>									
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	-	-	-
<b>Financial Liabilities</b>									
<b>Monetary items</b>									
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.

(Continued)

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

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:

<u>Prices of securities at the reporting date</u>	<b>For the six months ended June 30</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Other comprehensive income after tax</b>	<b>Net income</b>	<b>Other comprehensive income after tax</b>	<b>Net income</b>
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:

(Continued)

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

<b>June 30, 2022</b>					
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Designated at fair value through profit or loss	\$ 96	-	-	96	96
<b>Financial assets measured at amortized cost</b>					
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>
<b>Financial liabilities measured at amortized cost</b>					
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>
<b>December 31, 2021</b>					
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Designated at fair value through profit or loss	\$ 96	-	-	96	96
<b>Financial assets measured at amortized cost</b>					
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>

(Continued)

**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
<b>Financial liabilities at amortized cost</b>					
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
<b>Financial assets at fair value through profit or loss</b>					
Designated at fair value through profit or loss	\$ 2,788	2,692	-	96	2,788
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks in listed companies	37,435	37,435	-	-	37,435
<b>Financial assets measured at amortized cost</b>					
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>
<b>Financial liabilities at amortized cost</b>					
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.

(Continued)



**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

(Continued)

**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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
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	<b><u>\$ 6,248,134</u></b>	<b><u>7,946,714</u></b>	<b><u>7,703,118</u></b>
Debt to equity ratio	<b><u>43%</u></b>	<b><u>47%</u></b>	<b><u>52%</u></b>

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.

(Continued)

**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.

(Continued)

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

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>

(Continued)

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

**(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
<b>By item</b>						
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
<b>By item</b>						
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.

(Continued)

**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.