

**REXON INDUSTRIAL CORP., LTD.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

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

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the financial statements of Rexion Industrial Corp., Ltd. ("the Company"), which comprise the balance sheets of December 31, 2022 and 2021, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue recognition

Please refer to Note 4(o) and Note 6(t) of the parent company only financial statements for accounting policies on revenue recognition and revenue recognition, respectively.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. Revenue is recognized in each individual contract with customers. The improper timing in recognition of revenue before and after the financial reporting date may materially impact financial statements. Therefore, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include testing the effectiveness of internal control on recognition of revenue; ensuring the transaction conditions and revenue of the sale contracts have been properly recorded; random sampling of sales transactions within a certain period before and after the financial reporting date; analyzing the client contract of the sample; and evaluating the transaction conditions contained in the sales contract to confirm that revenue recognition has been recorded in an appropriate period.

## 2. Valuation of Inventories

The accounting principle of inventory, refer to parent company only financial statements Note 4 (g), the assessment of accounting estimate and assumption uncertainty, refer to parent company only financial statements Note 5 (a); the explanation of inventory assessment refers to parent company only financial statements Note 6 (e).

Description of key audit matter:

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

How the matter was addressed in our audit:

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

## **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
February 23, 2023

#### **Notes to Readers**

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

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



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**REXON INDUSTRIAL CORP., LTD.****Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(Expressed in thousands of New Taiwan Dollar , except earnings per share)**

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4100 Operating revenue (note 6 (t) and 7)	\$ 4,439,027	100	18,311,982	100
5000 Operating costs (note 6 (e) 、(i) 、(p) and (7))	<u>4,351,617</u>	<u>98</u>	<u>15,833,894</u>	<u>87</u>
<b>Gross profit from operations</b>	<u>87,410</u>	<u>2</u>	<u>2,478,088</u>	<u>13</u>
6000 <b>Operating expenses</b> (note 6 (i) 、(p) 、(u) and 7):				
6100 Selling expenses	225,482	5	518,063	3
6200 Administrative expenses	130,316	3	260,840	1
6300 Research and development expenses	<u>131,193</u>	<u>3</u>	<u>201,551</u>	<u>1</u>
	<u>486,991</u>	<u>11</u>	<u>980,454</u>	<u>5</u>
<b>Net operating (loss) income</b>	<u>(399,581)</u>	<u>(9)</u>	<u>1,497,634</u>	<u>8</u>
7000 <b>Non-operating income and expenses:</b>				
7100 Interest income (note 6 (v))	5,336	-	984	-
7010 Other income (note 6 (v))	15,888	-	37,314	-
7020 Other gains and losses, net (note 6 (g) and (v))	2,698	-	(131,024)	(1)
7050 Finance costs (note 6 (n) and (v))	(15,963)	-	(4,723)	-
7070 Share of loss of subsidiaries and associates for using equity method, net (note 6 (f))	<u>(9,521)</u>	<u>-</u>	<u>(89,978)</u>	<u>-</u>
	<u>(1,562)</u>	<u>-</u>	<u>(187,427)</u>	<u>(1)</u>
7900 <b>Profit (loss) before income tax</b>	(401,143)	(9)	1,310,207	7
7950 Income tax (benefit) expense (note 6 (q))	<u>(102,222)</u>	<u>(2)</u>	<u>257,315</u>	<u>1</u>
8200 <b>(Loss) profit</b>	<u>(298,921)</u>	<u>(7)</u>	<u>1,052,892</u>	<u>6</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311 Gains on remeasurements of defined benefit obligation (note 6 (p))	82,650	2	61,559	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6 (r))	<u>-</u>	<u>-</u>	<u>17,184</u>	<u>-</u>
	<u>82,650</u>	<u>2</u>	<u>78,743</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss:</b>				
8361 Exchange differences on translation (note 6 (r))	24,074	-	(7,947)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (q))	<u>(4,815)</u>	<u>-</u>	<u>1,588</u>	<u>-</u>
	<u>19,259</u>	<u>-</u>	<u>(6,359)</u>	<u>-</u>
8300 <b>Other comprehensive income (after tax)</b>	<u>101,909</u>	<u>2</u>	<u>72,384</u>	<u>-</u>
8500 <b>Comprehensive income</b>	<u>\$ (197,012)</u>	<u>(5)</u>	<u>1,125,276</u>	<u>6</u>
<b>Earnings (loss) per share(NT dollars)</b> (note 6 (s))				
9750 <b>Basic earnings (loss) per share</b>	<u>\$ (1.65)</u>		<u>5.80</u>	
9850 <b>Diluted earnings (loss) per share</b>	<u>\$ (1.65)</u>		<u>5.76</u>	

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**REXON INDUSTRIAL CORP., LTD.**

**Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in thousands of New Taiwan Dollar)**

	Share capital		Retained earnings				Total other equity			
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity
<b>Balance on January 1, 2021</b>	\$ 1,814,735	433	265,379	49,668	1,783,010	2,098,057	(156,823)	(20,402)	(177,225)	3,736,000
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	97,724	-	(97,724)	-	-	-	-	-
Special reserve	-	-	-	127,558	(127,558)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(653,305)	(653,305)	-	-	-	(653,305)
	-	-	97,724	127,558	(878,587)	(653,305)	-	-	-	(653,305)
Profit for the year ended December 31, 2021	-	-	-	-	1,052,892	1,052,892	-	-	-	1,052,892
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	61,559	61,559	(6,359)	17,184	10,825	72,384
Comprehensive income	-	-	-	-	1,114,451	1,114,451	(6,359)	17,184	10,825	1,125,276
Changes in ownership of subsidiaries	-	153	-	-	-	-	-	-	-	153
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(3,218)	(3,218)	-	3,218	3,218	-
Beginning adjustment of net delined benefit assets	-	-	-	-	16,965	16,965	-	-	-	16,965
<b>Balance on December 31, 2021</b>	\$ 1,814,735	586	363,103	177,226	2,032,621	2,572,950	(163,182)	-	(163,182)	4,225,089
<b>Balance on January 1, 2022</b>	\$ 1,814,735	586	363,103	177,226	2,032,621	2,572,950	(163,182)	-	(163,182)	4,225,089
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	112,820	-	(112,820)	-	-	-	-	-
Reversal of special reserve	-	-	-	(14,044)	14,044	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(544,420)	(544,420)	-	-	-	(544,420)
	-	-	112,820	(14,044)	(643,196)	(544,420)	-	-	-	(544,420)
Loss for the year ended December 31, 2022	-	-	-	-	(298,921)	(298,921)	-	-	-	(298,921)
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	82,650	82,650	19,259	-	19,259	101,909
Comprehensive income	-	-	-	-	(216,271)	(216,271)	19,259	-	19,259	(197,012)
<b>Balance on December 31, 2022</b>	\$ 1,814,735	586	475,923	163,182	1,173,154	1,812,259	(143,923)	-	(143,923)	3,483,657

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**REXON INDUSTRIAL CORP., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2022 and 2021**

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

	2022	2021
<b>Cash flows from operating activities:</b>		
(Loss) profit before tax	\$ (401,143)	1,310,207
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expense	279,041	196,996
Amortization expense	15,101	11,928
Interest expense	15,963	4,723
Interest income	(5,336)	(984)
Dividend income	-	(13)
Share of loss of subsidiaries and associates for using equity method	9,521	89,978
Loss on disposal of property, plant and equipment	3,538	4,526
Impairment loss of property, plant and equipment	15,971	52,723
Gain on lease modification	(39)	-
Total adjustments to reconcile profit	333,760	359,877
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in financial assets at fair value through profit or loss	-	18,374
Increase in notes receivable	(11)	(40)
Increase in notes receivable due from related parties	(4,179)	(21,209)
Decrease in accounts receivable	984,347	658,698
Decrease (Increase) in accounts receivable due from related parties	5,027	(4,080)
(Increase) Decrease in other receivable	(54)	39
Increase in other receivable due from related parties	(843)	(3,562)
Decrease (Increase) in inventories	1,274,586	(890,995)
Decrease (Increase) in other current assets	124,309	(27,400)
Decrease (Increase) in other operating assets	1,978	(3,319)
<b>Total changes in operating assets</b>	<b>2,385,160</b>	<b>(273,494)</b>
<b>Changes in operating liabilities:</b>		
(Decrease) increase in contract liabilities	(10,841)	509,242
(Decrease) increase in notes payable	(887,126)	569,551
Increase in notes payable to related parties	25,960	2,956
(Decrease) increase in accounts payable	(2,852,830)	549,114
Increase (decrease) in accounts payable to related parties	50,239	(283,554)
(Decrease) increase in other payable	(111,715)	234,216
Increase in other payable to related parties	6,493	16,001
(Decrease) increase in other current liabilities	(139,069)	18,986
Decrease in net defined benefit assets	(32,690)	(12,061)
<b>Total changes in operating liabilities</b>	<b>(3,951,579)</b>	<b>1,604,451</b>
<b>Total changes in operating assets and liabilities</b>	<b>(1,566,419)</b>	<b>1,330,957</b>
<b>Total adjustments</b>	<b>(1,232,659)</b>	<b>1,690,834</b>
Cash (outflow) inflow generated from operations	(1,633,802)	3,001,041
Interest received	5,336	984
Dividends received	480	813
Interest paid	(15,208)	(5,265)
Income taxes paid	(192,477)	(194,571)
<b>Net cash flows (used in) from operating activities</b>	<b>(1,835,671)</b>	<b>2,803,002</b>
<b>Cash flows used in investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	53,360
Changes in ownership of Subsidiaries	-	(2,635)
Acquisition of property, plant and equipment	(83,949)	(443,216)
Proceeds from disposal of property, plant and equipment	2,573	1,632
Decrease in restricted assets	-	8,000
Decrease (increase) in refundable deposits	5,886	(3,725)
Acquisition of intangible assets	(20,470)	(12,481)
Increase in prepayments for business facilities	(422,255)	(498,171)
<b>Net cash flows used in investing activities</b>	<b>(518,215)</b>	<b>(897,236)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	2,900,000	1,900,000
Decrease in short-term borrowings	(2,900,000)	(1,480,000)
Increase from long-term borrowings	500,000	851,600
Repayments of long-term borrowings	(170,833)	(500,000)
Cash dividends paid	(544,420)	(653,305)
Payment of lease liabilities	(30,257)	(29,043)
<b>Net cash flows from (used in) financing activities</b>	<b>(245,510)</b>	<b>89,252</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,599,396)</b>	<b>1,995,018</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,492,307</b>	<b>2,497,289</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,892,911</b>	<b>4,492,307</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**REXON INDUSTRIAL CORP., LTD.**

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in thousands of New Taiwan Dollar unless otherwise specified)**

**(1) Company history**

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

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

The parent company only financial statements were authorized for issue by the Board of Directors on February 23, 2023.

**(3) New standards, amendments and interpretations adopted**

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its 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 IFRSs issued by the FSC but not yet effective

The Company 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 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.**  
**Notes to the Parent Company Only 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 Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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

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

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

The Company 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 financial statements:

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

**(4) Summary of significant accounting policies**

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

**(a) Statement of compliance**

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**(b) Basis of preparation**

**(i) Basis of measurement**

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

**(ii) Functional and presentation currency**

The functional currency is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar(NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(c) **Foreign currencies**

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

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

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

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**REXON INDUSTRIAL CORP., LTD.**  
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**(d) Classification of current and non-current assets and liabilities**

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period ; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when :

- (i) It is expected to settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

**(e) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

**(f) Financial instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

- (i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Business model assessment

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

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, and guarantee deposit paid) and contract assets.

(Continued)



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

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

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

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

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

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 180 days past due ;

(Continued)

**REXON INDUSTRIAL CORP., LTD.**

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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(ii) Financial liabilities and equity instrument

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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**REXON INDUSTRIAL CORP., LTD.**  
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3) **Derecognition of financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4) **Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**(g) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

**(h) Investment in associates**

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

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

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

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

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
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**(i) Investment in subsidiaries**

The investees which are controlled by the Company were measured using the equity method in preparing the parent company only financial statements. The profit or loss, other comprehensive income and equity in the parent company only financial statements are equal to those attributable to the shareholders of the parent in the consolidated financial statements.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

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

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

**(ii) Subsequent expenditure**

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

**(iii) Depreciation**

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

1) Buildings	2 ~ 60 years
2) Machinery and equipment	5 ~ 10 years
3) Mold and tooling equipment	2 ~ 10 years
4) Office equipment and other facilities	2 ~ 10 years

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
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- 5) The significant portion of building consists of its main building, miscellaneous parts, machinery and equipment, and the estimated useful lives are as following:

<u>Compose item</u>	<u>Useful Lives</u>	<u>Compose item</u>	<u>Useful Lives</u>
Buildings:		Machinery and equipment:	
Main building	41~60 years	Welding machine and circular saw	10 years
Fire engineering	43 years	Conveyer	10 years
Electrical and mechanical in construction	38 years	Other	5 years
Other	2 years		

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

**(k) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**(i) As a lessee**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

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

(ii) As a lessor

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

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

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**REXON INDUSTRIAL CORP., LTD.**  
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**(l) Intangible assets**

**(i) Recognition and measurement**

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

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

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

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

**(iii) Amortization**

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer software cost    1~10years

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

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

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(n) Provisions**

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

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

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

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

**1) Sale of goods**

The Company manufactures and sells woodworking tools and fitness equipment to retail stores, fitness club, and fitness equipment specialty chain stores around the world. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Company's obligation to provide a refund for faulty drilling machine under the standard warranty terms is recognized as a provision for warranty; please refer to note 4(n).

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**REXON INDUSTRIAL CORP., LTD.**  
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A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) **Employee benefits**

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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**REXON INDUSTRIAL CORP., LTD.**  
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**(q) Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations, or those recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(r) **Earnings per share**

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

(s) **Operating segments**

The Company has provided the disclosure of the operating segments in its consolidated financial statements. Thus, the disclosure of the segment information in the parent company only financial statements is no longer required.

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

In preparing these parent company only financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

(a) **Valuation of inventories**

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(b) **Recognition and measurement of provisions**

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

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**REXON INDUSTRIAL CORP., LTD.**  
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The Company's accounting policies and disclosures include the use of fair value to measure its financial and non-financial assets and liabilities. The Company has established relevant internal control system for the fair value. This includes establishing an evaluation team responsible for reviewing all significant fair value (including Level 3 fair value) and reporting directly to the financial executive. The evaluation team regularly reviews the significant unobservable input values and adjustments. If the input values used for measuring the fair values of financial and non-financial instruments come from external third party (such as a broker or a pricing service agency), the evaluation team will evaluate the supporting evidence provided by the third party to ensure the evaluation and the level of fair values conform to IFRS requirements.

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

- a. Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- b. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c. Level 3: inputs for the assets or liability that are not based on observable market data (unobservable parameters).

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Petty cash and cash on hand	\$ 1,024	456
Checking and demand deposits	<u>1,891,887</u>	<u>4,491,851</u>
Cash and cash equivalents in the statement of cash flows	<u><b>\$ 1,892,911</b></u>	<u><b>4,492,307</b></u>

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

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

In 2021, the Company has sold equity instrument investment measured at fair value through other comprehensive income for strategic purposes. The shares sold had a fair value of \$53,360 thousand. The Company realized a loss of \$(3,218) thousand. The gain has been transferred to retained earnings.

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**REXON INDUSTRIAL CORP., LTD.**  
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(c) **Notes and accounts receivables (include related party)**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable from operating activities	\$ 51	40
Notes receivable from operating activities-related parties	31,722	27,543
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 31,773</u>	<u>27,583</u>
Accounts receivable-measured at amortized cost	\$ 722,552	1,706,899
Accounts receivable from related parties-measured at amortized cost	8,794	13,821
Less: Loss allowance	<u>(1,603)</u>	<u>(1,603)</u>
	<u>\$ 729,743</u>	<u>1,719,117</u>

- (i) The Company 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:

	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 628,893	0.04%	273
1 to 90 days past due	134,225	0.99%	1,329
91 to 180 days past due	-	-	-
181 to 360 days past due	-	-	-
Over 360 days past due	<u>1</u>	100%	<u>1</u>
Total	<u>\$ 763,119</u>		<u>1,603</u>

  

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 874,365	0.02%	184
1 to 90 days past due	872,018	0.02%	184
91 to 180 days past due	1,370	50.00%	685
181 to 360 days past due	549	100%	549
Over 360 days past due	<u>1</u>	100%	<u>1</u>
Total	<u>\$ 1,748,303</u>		<u>1,603</u>

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
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(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 December 31)	\$ <u>1,603</u>	<u>1,603</u>

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

(d) **Other receivables**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables	\$ 11,415	11,361
Other receivables-related parties	8,784	7,941
Less: Loss allowance	<u>(11,247)</u>	<u>(11,247)</u>
	<u>\$ 8,952</u>	<u>8,055</u>

(i) As of December 31, 2022 and 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 December 31)	\$ <u>11,247</u>	<u>11,247</u>

(e) **Inventories**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 101,093	624,327
Work in progress	42,715	202,393
Materials	105,002	153,319
Parts	204,873	749,504
Merchandise	<u>4,630</u>	<u>3,356</u>
	<u>\$ 458,313</u>	<u>1,732,899</u>

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

	<u>2022</u>	<u>2021</u>
Write-down of inventories	\$ 32,186	-
Inventory scrap loss	5,579	36,501
Inventory deficit	167	275
Revenue from sale of scraps	<u>(2,770)</u>	<u>(24,854)</u>
	<u>\$ 35,162</u>	<u>11,922</u>

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

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**REXON INDUSTRIAL CORP., LTD.**  
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(f) **Investments accounted for using equity method**

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary	\$ 955,285	940,920
Associates	<u>16,420</u>	<u>16,712</u>
	<u><u>\$ 971,705</u></u>	<u><u>957,632</u></u>

(i) Subsidiary

Please refer to the consolidated financial report of the 2022.

(ii) Associates

Affiliated company's information:

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of individually insignificant associates' equity	<u>\$ 16,420</u>	<u>16,712</u>
	<u>2022</u>	<u>2021</u>
Attributable to the Company:		
Profit from continuing operations	\$ 188	518
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u><u>\$ 188</u></u>	<u><u>518</u></u>

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

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

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Mold and tooling equipment</u>	<u>Office equipment and other facilities</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2022	\$ 1,125,541	1,429,208	652,167	696,768	129,186	-	4,032,870
Additions	929	12,453	7,453	20,020	3,106	-	43,961
Disposal	-	-	(7,714)	(6,180)	(14,829)	-	(28,723)
Reclassification	-	43,330	33,671	45,118	1,877	-	123,996
Balance on December 31, 2022	<u>\$ 1,126,470</u>	<u>1,484,991</u>	<u>685,577</u>	<u>755,726</u>	<u>119,340</u>	<u>-</u>	<u>4,172,104</u>
Balance on January 1, 2021	\$ 943,858	1,330,220	444,792	583,923	122,700	-	3,425,493
Additions	181,683	109,903	43,755	46,129	18,822	-	400,292
Disposal	-	-	(27,147)	(3,600)	(13,554)	-	(44,301)
Reclassification	-	(10,915)	190,767	70,316	1,218	-	251,386
Balance on December 31, 2021	<u>\$ 1,125,541</u>	<u>1,429,208</u>	<u>652,167</u>	<u>696,768</u>	<u>129,186</u>	<u>-</u>	<u>4,032,870</u>
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2022	\$ -	678,809	233,298	481,017	93,057	-	1,486,181
Depreciation for the year	-	76,638	87,144	74,209	10,756	-	248,747
Impairment loss	-	-	-	15,971	-	-	15,971
Disposal	-	-	(7,009)	(5,198)	(10,405)	-	(22,612)
Balance on December 31, 2022	<u>\$ -</u>	<u>755,447</u>	<u>313,433</u>	<u>565,999</u>	<u>93,408</u>	<u>-</u>	<u>1,728,287</u>
Balance on January 1, 2021	\$ -	622,436	198,110	386,984	96,646	-	1,304,176
Depreciation for the year	-	56,373	59,031	44,345	7,676	-	167,425
Impairment loss	-	-	-	52,723	-	-	52,723
Disposal	-	-	(23,843)	(3,035)	(11,265)	-	(38,143)
Balance on December 31, 2021	<u>\$ -</u>	<u>678,809</u>	<u>233,298</u>	<u>481,017</u>	<u>93,057</u>	<u>-</u>	<u>1,486,181</u>
<b>Carrying amounts:</b>							
Balance on December 31, 2022	<u>\$ 1,126,470</u>	<u>729,544</u>	<u>372,144</u>	<u>189,727</u>	<u>25,932</u>	<u>-</u>	<u>2,443,817</u>
Balance on January 1, 2021	<u>\$ 943,858</u>	<u>707,784</u>	<u>246,682</u>	<u>196,939</u>	<u>26,054</u>	<u>-</u>	<u>2,121,317</u>
Balance on December 31, 2021	<u>\$ 1,125,541</u>	<u>750,399</u>	<u>418,869</u>	<u>215,751</u>	<u>36,129</u>	<u>-</u>	<u>2,546,689</u>

- (i) In response to the need for expansion in the future, the Company bought the farmland near to its factory, costing \$316,060 thousand, but the ownership of the land is temporarily not allowed to be transferred to the Company 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 Company for security concerns.
- (ii) As of December 31, 2022 and 2021, the Company recognized impairment loss of \$15,971 thousand and \$52,723 thousand for part of the carrying amount of mold equipment that are over the useful life and are expected to scrap.
- (iii) Gain or losses of disposal, please refer to Note 6(v).
- (iv) As of December 31, 2022 and 2021, property, plant and equipment of the Company had been pledged as collateral for long-term loans; please refer to note 8.

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

The Company leases many assets including land, buildings and vehicles. Information about leases for which the Company 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	\$ 27,981	51,627	20,899	100,507
Additions	-	-	4,228	4,228
Reductions	-	(36,828)	(5,049)	(41,877)
Balance at December 31, 2022	<u>\$ 27,981</u>	<u>14,799</u>	<u>20,078</u>	<u>62,858</u>
Balance at January 1, 2021	\$ -	21,388	5,142	26,530
Additions	27,981	30,239	15,757	73,977
Reductions	-	-	-	-
Balance at December 31, 2021	<u>\$ 27,981</u>	<u>51,627</u>	<u>20,899</u>	<u>100,507</u>
<b>Accumulated depreciation and impairment losses: :</b>				
Balance at January 1, 2022	\$ 2,099	22,898	7,230	32,227
Depreciation for the year	2,798	21,062	6,434	30,294
Reductions	-	(30,394)	(4,190)	(34,584)
Balance at December 31, 2022	<u>\$ 4,897</u>	<u>13,566</u>	<u>9,474</u>	<u>27,937</u>
Balance at January 1, 2021	\$ -	594	2,062	2,656
Depreciation for the year	2,099	22,304	5,168	29,571
Balance at December 31, 2021	<u>\$ 2,099</u>	<u>22,898</u>	<u>7,230</u>	<u>32,227</u>
<b>Carrying amount:</b>				
Balance at December 31, 2022	<u>\$ 23,084</u>	<u>1,233</u>	<u>10,604</u>	<u>34,921</u>
Balance at January 1, 2021	<u>\$ -</u>	<u>20,794</u>	<u>3,080</u>	<u>23,874</u>
Balance at December 31, 2021	<u>\$ 25,882</u>	<u>28,729</u>	<u>13,669</u>	<u>68,280</u>

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**REXON INDUSTRIAL CORP., LTD.**  
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(i) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of the Company for the years ended December 31, 2022 and 2021, were as follows:

	<b>Computer Software</b>
<b>Costs:</b>	
Balance at January 1, 2022	\$ 120,831
Additions	20,470
Reductions	-
Balance at December 31, 2022	<b><u>\$ 141,301</u></b>
Balance at January 1, 2021	108,350
Additions	\$ 12,481
Balance at December 31, 2021	<b><u>\$ 120,831</u></b>
<b>Amortization and impairment Loss:</b>	
Balance at January 1, 2022	\$ 106,774
Amortization for the year	15,101
Balance at December 31, 2022	<b><u>\$ 121,875</u></b>
Balance at January 1, 2021	\$ 94,846
Amortization for the year	11,928
Balance at December 31, 2021	<b><u>\$ 106,774</u></b>
<b>Carrying value:</b>	
Balance at December 31, 2022	<b><u>\$ 19,426</u></b>
Balance at January 1, 2021	<b><u>\$ 13,504</u></b>
Balance at December 31, 2021	<b><u>\$ 14,057</u></b>

(i) **Amortization**

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

	<b>2022</b>	<b>2021</b>
Operating cost	\$ 3,781	2,200
Operating expenses	11,320	9,728
	<b><u>\$ 15,101</u></b>	<b><u>11,928</u></b>

(ii) **Disclosure on pledges**

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

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**REXON INDUSTRIAL CORP., LTD.**  
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(j) **Other current assets and other non-current assets**

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other current assets:		
Prepayments	\$ 15,952	39,458
Business tax receivables	35,379	136,670
Others	<u>13,640</u>	<u>13,152</u>
	<u>\$ 64,971</u>	<u>189,280</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other non-current assets:		
Prepayments for equipment	\$ 641,030	342,771
Others	<u>4,639</u>	<u>6,617</u>
	<u>\$ 645,669</u>	<u>349,388</u>

(k) **Short-term borrowings**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	\$ 500,000	700,000
Secured bank loans	<u>200,000</u>	<u>-</u>
	<u>\$ 700,000</u>	<u>700,000</u>
Unused short-term credit lines	<u>\$ 3,300,000</u>	<u>3,350,000</u>
Range of interest rate	<u>1.41%~1.725%</u>	<u>0.67%~1.1%</u>

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

(l) **Other current liabilities**

The details of other current liabilities were summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Advance receipts	\$ 3,566	3,566
Temporary receipt	458,352	138,872
Others	<u>5,340</u>	<u>10,848</u>
	<u>\$ 467,258</u>	<u>153,286</u>

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

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The cancellation payment of temporary receipts is because the customer has reached an agreement with the Company and paid \$1,054,375 thousand (USD\$34,601 thousand) to cancel the contractual rights and obligations of both parties due to the cancellation of the order, of which \$491,831 thousand, the Company had received it in November, 2021, and was transferred from contract liabilities to temporary receipts. Please refer to at note 6 (t). Remaining payments has been received in November 2022. The Company will then transfer the part of the payment to the supplier in the form of payment on behalf of others or receipts under custody with the agreement. As of December 31, 2022, the remaining balance of temporary receipts for the cancellation payment is \$279,101 thousand.

(m) **Long-term borrowings**

The details of long-term borrowings were as follows:

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Secured bank loans	NTD	0.95%~1.56%	2025~2026	\$ 818,334
Unsecured bank loans	NTD	1.55%	2026	170,833
				989,167
Less : current portion				(390,000)
Total				\$ <b>599,167</b>
Unused long-term credit lines				\$ <b>170,000</b>

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Secured bank loans	NTD	0.45%~1.05%	2024~2025	\$ 660,000
Less: current portion				(66,667)
Total				\$ <b>593,333</b>
Unused long-term credit lines				\$ <b>470,000</b>

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

(n) **Lease liabilities**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	\$ <b>10,501</b>	\$ <b>34,261</b>
Non-current	\$ <b>24,691</b>	\$ <b>34,292</b>

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

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	\$ <b>506</b>	\$ <b>663</b>

(Continued)

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

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	\$ <b>30,763</b>	<b>29,706</b>

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

(o) **Provisions**

	<b>Warranties</b>	
Balance at January 1, 2022	\$ 162,599	
Provisions made during the year	83,544	
Provisions used during the year	(44,754)	
Balance at December 31, 2022	\$ <b>201,389</b>	
Balance at January 1, 2021	\$ 165,973	
Provisions made during the year	155,503	
Provisions used during the year	(158,877)	
Balance at December 31, 2021	\$ <b>162,599</b>	

The provision for warranties relates mainly to automatic facilities and fitness equipment sold during the years ended December 31, 2022 and 2021. The provision is based on estimates made from historical defect rate associated with similar products and services. The Company expects to settle the liability over the next two quarters.

(p) **Employee benefits**

(i) **Defined benefit plans**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of the defined benefit obligations	\$ 167,923	310,038
Fair value of plan assets	(373,928)	(400,703)
Net defined benefit asset	\$ <b>(206,005)</b>	<b>(90,665)</b>

The Company's employee benefit liabilities were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Vacation liability	\$ <b>21,813</b>	<b>21,813</b>

(Continued)

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$373,928 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 310,038	401,954
Beginning adjustment	-	(16,808)
Current service costs and interest cost	3,232	4,528
Remeasurements of the net defined benefit liability (asset)		
— Due to experience adjustments of actuarial (losses) gains	(29,705)	(1,143)
— Due to changes in financial assumption of actuarial (losses) gains	(21,289)	(55,689)
Benefits paid	<u>(94,353)</u>	<u>(22,804)</u>
Defined benefit obligations at December 31	<u>\$ 167,923</u>	<u>310,038</u>

(Continued)

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3) Movements of defined benefit plan assets

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

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 400,703	402,034
Beginning adjustment	-	157
Interest income	2,470	2,488
Remeasurement of the net defined benefit liability (asset)		
— Return on plan assets (excluding interest income)	31,656	4,727
Benefits paid	1,367	1,837
Expected return on plan assets	<u>(62,268)</u>	<u>(10,540)</u>
Fair value of plan assets at December 31	<u>\$ 373,928</u>	<u>400,703</u>

4) Expenses recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 1,358	2,139
Net interest of net liabilities (asset) for defined benefit obligations	<u>(596)</u>	<u>(100)</u>
	<u>\$ 762</u>	<u>2,039</u>
	<u>2022</u>	<u>2021</u>
Recognized pension expenses	<u>\$ 762</u>	<u>2,039</u>

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

The Company's remeasurement in the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Cumulative amount at January 1	\$ (91,131)	(152,690)
Recognized during the period	<u>82,650</u>	<u>61,559</u>
Accumulated amount at December 31	<u>\$ (8,481)</u>	<u>(91,131)</u>

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6) Actuarial assumptions

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.750 %	0.625 %
Future salary increase rate	2.000 %	2.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$935 thousand.

The weighted average lifetime of the defined benefit plans is 12.26 years.

7) Sensitivity analysis

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

	<u>Influences of defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2022		
Discount rate	\$ (4,294)	4,445
Future salary increases	4,337	(4,212)
December 31, 2021		
Discount rate	\$ (7,271)	7,535
Future salary increases	7,269	(7,035)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$22,426 thousand and \$31,854 thousand for the years ended December 31, 2022 and 2021, respectively.

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**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(q) **Income taxes**

(i) Income tax (benefit) expense

The components of income tax in the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax (benefit) expense		
Current period	\$ -	282,687
Adjustment for prior periods	(7,163)	(688)
	<u>\$ (7,163)</u>	<u>281,999</u>
Deferred tax (benefit) expense		
Origination and reversal of temporary differences	(95,059)	(24,684)
Income tax (benefit) expense	<u>\$ (102,222)</u>	<u>257,315</u>

The amounts of income tax recognized directly in other comprehensive income for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation	<u>\$ 4,815</u>	<u>(1,588)</u>

Reconciliation of income tax and profit before tax for 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Profit excluding income tax	<u>\$ (401,143)</u>	<u>1,310,207</u>
Income tax using the Company's domestic tax rate	\$ (80,228)	262,041
Other tax effect generated from adjustment of tax rule	(14,764)	(1,144)
Non-deductible expenses	22	127
Tax effect of investment loss generated from investment accounted for using equity method	(89)	(3,021)
Recognition of previously unrecognized tax gains	(7,163)	(688)
Income tax (benefit) expense	<u>\$ (102,222)</u>	<u>257,315</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Tax effect of deductible temporary differences	<u>\$ 5,111</u>	<u>5,111</u>

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**REXON INDUSTRIAL CORP., LTD.**  
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2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	<u>Unrealized inventory valuation loss</u>	<u>Provision</u>	<u>Unrealized investment loss</u>	<u>Loss deductions</u>	<u>Exchange on translation of foreign financial statement</u>	<u>Other</u>	<u>Total</u>
<b>Deferred tax assets:</b>							
<b>Balance at January 1, 2022</b>	\$ 9,168	32,520	5,615	-	26,022	10,802	84,127
Recognized in profit or loss	6,438	7,758	1,993	61,388	-	10,991	88,568
Recognized in other comprehensive income	-	-	-	-	(4,815)	-	(4,815)
<b>Balance at December 31, 2022</b>	<u>\$ 15,606</u>	<u>40,278</u>	<u>7,608</u>	<u>61,388</u>	<u>21,207</u>	<u>21,793</u>	<u>167,880</u>
<b>Balance at January 1, 2021</b>							
<b>Balance at January 1, 2021</b>	\$ 9,168	33,195	-	-	24,433	257	67,053
Recognized in profit or loss	-	(675)	5,615	-	-	10,545	15,485
Recognized in other comprehensive income	-	-	-	-	1,589	-	1,589
<b>Balance at December 31, 2021</b>	<u>\$ 9,168</u>	<u>32,520</u>	<u>5,615</u>	<u>-</u>	<u>26,022</u>	<u>10,802</u>	<u>84,127</u>
<b>Deferred tax liabilities:</b>							
	<u>Unrealized investment gains</u>	<u>Unrealized exchange gains</u>	<u>Total</u>				
<b>Balance at January 1, 2022</b>	\$ -	6,491	6,491				
Recognized in profit or loss	-	(6,491)	(6,491)				
<b>Balance at December 31, 2022</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>				
<b>Balance at January 1, 2021</b>	\$ 15,402	288	15,690				
Recognized in profit or loss	(15,402)	6,203	(9,199)				
<b>Balance at December 31, 2021</b>	<u>\$ -</u>	<u>6,491</u>	<u>6,491</u>				

3) Assessment of tax

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

(r) **Capital and other equity**

As of December 31, 2022 and 2021, the authorized capital totaled \$3,800,000 thousand, and the total paid-in capital amounted to \$1,814,735 thousand with a par value of NT\$10 per share on common stock.

Reconciliation of shares outstanding for the years ended December 31, 2022 and 2021 were as follows:

(In thousands of shares)	<u>Ordinary shares</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1 (which is balance at December 31)	<u>181,473</u>	<u>181,473</u>

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
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(i) Capital Surplus

Balance of capital surplus was as following:

	December 31, 2022	December 31, 2021
Treasury share transactions	\$ 433	433
Changes in the net equity value of subsidiaries recognized using the equity method	153	153
	\$ 586	586

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

(ii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

In accordance with the requirement of Financial Supervisory Commission, a portion of earnings shall be allocated as special earnings reserve during earnings distribution. The special earnings reserve was distributed from the current undistributed earnings, which was income after income tax plus other items, and undistributed earnings of prior period. A portion of undistributed priorperiod earnings shall be reclassified as special earnings reserve and does not qualify for earnings distribution to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve was \$163,182 thousand and \$177,226 thousand for the years ended December 31, 2022 and 2021, respectively.

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**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

3) Earnings distribution

The amounts of cash dividends on the appropriation of earnings for 2021 had been approved during the board meeting on March 15, 2022, as follow:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ <u>3.0</u>	<u>544,420</u>	<u>3.6</u>	<u>653,305</u>

(iii) OCI accumulated in reserves, net of tax

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized (losses) gains from financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance at January 1, 2022	\$ (163,182)	-	(163,182)
Exchange differences on foreign operations	<u>19,259</u>	<u>-</u>	<u>19,259</u>
Balance at December 31, 2022	<u>\$ (143,923)</u>	<u>-</u>	<u>(143,923)</u>
Balance at January 1, 2021	\$ (156,823)	(20,402)	(177,225)
Exchange differences on translation of foreign	(6,359)	-	(6,359)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	17,184	17,184
Disposal of investments in equity instruments designated at fair value through other comprehensive income	<u>-</u>	<u>3,218</u>	<u>3,218</u>
Balance at December 31, 2021	<u>\$ (163,182)</u>	<u>-</u>	<u>(163,182)</u>

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**REXON INDUSTRIAL CORP., LTD.**  
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(s) **Earnings (loss) per share**

The details on the calculation of basic earnings (loss) per share and diluted earnings per share for years 2022 and 2021 were as follows:

**Basic earnings (loss) per share**

	<u>2022</u>	<u>2021</u>
Net (loss) profit attributable to ordinary shareholders of the Company	\$ <u>(298,921)</u>	<u>1,052,892</u>
Weighted-average number of ordinary shares	<u>181,473</u>	<u>181,473</u>
	\$ <u>(1.65)</u>	<u>5.80</u>

**Diluted earnings (loss) per share**

Net (loss) profit attributable to ordinary shareholders of the Company	\$ <u>(298,921)</u>	<u>1,052,892</u>
Weighted-average number of ordinary shares	181,473	181,473
Effect of employee share bonus	-	1,349
Weighted average number of ordinary shares (diluted)	<u>181,473</u>	<u>182,822</u>
	\$ <u>(1.65)</u>	<u>5.76</u>

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

(i) Details of revenue

	<u>2022</u>	<u>2021</u>
<u>Primary geographical markets</u>		
America	\$ 3,870,274	17,700,390
Europe	345,617	466,307
Asia	145,749	141,677
Other	<u>77,387</u>	<u>3,608</u>
	\$ <u>4,439,027</u>	<u>18,311,982</u>
<u>Major products/services lines</u>		
Woodworking tools	\$ 1,361,789	1,555,839
Fitness equipment	2,954,518	16,463,705
Other	<u>122,720</u>	<u>292,438</u>
	\$ <u>4,439,027</u>	<u>18,311,982</u>

(ii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities	\$ <u>27,552</u>	<u>530,224</u>	<u>20,982</u>

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**REXON INDUSTRIAL CORP., LTD.**  
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The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$9,761 thousand and \$6,161 thousand, respectively.

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

The opening balance of contract liabilities on January 1, 2022 was adjusted due to contract modification for 2022, the adjustment was \$491,831 thousands, which has been transferred to other current liabilities. Please refer to Note 6 (I) for details.

**(u) 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.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$0 and \$69,327 thousand, and directors' and supervisors' remuneration amounting to \$0 and \$7,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2022 and 2021.

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

**(i) Interest income**

The details of interest income for years 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Interest income – bank deposits	<u>\$ 5,336</u>	<u>984</u>

**(ii) Other income**

The details of other income for years 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Rent income	<u>\$ 5,589</u>	<u>3,535</u>
Dividend income	<u>-</u>	<u>13</u>
Other	<u>10,299</u>	<u>33,766</u>
	<u>\$ 15,888</u>	<u>37,314</u>

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**REXON INDUSTRIAL CORP., LTD.**  
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(iii) Other income and losses

The details of other income and losses for years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Net foreign exchange gains (losses)	\$ 26,218	(79,683)
Net losses on disposal of property, plant and equipment	(3,538)	(4,526)
Gain on financial assets measured at fair value through profit	-	5,908
Impairment loss on property, plant and equipment	(15,971)	(52,723)
Others	(4,011)	-
<b>Net other income and losses</b>	<b>\$ <u>2,698</u></b>	<b><u>(131,024)</u></b>

(iv) Finance expenses

The details of finance expenses for years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Interest expenses	\$ (19,613)	(6,123)
Less: capitalization of interest	3,650	1,400
	<b>\$ <u>(15,963)</u></b>	<b><u>(4,723)</u></b>

(w) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

Major clients of the Company are concentrated in automatic facilities and fitness machines market. Sales to the major clients in 2022 and 2021 are accounted for 49% and 89% of revenue, respectively. To minimize credit risk, the Company periodically evaluates their financial positions and requests collateral if deemed necessary. As of December 31, 2022 and 2021, three customers accounted for 78% and 82% respectively of notes receivable and accounts receivable, which resulted in concentration of credit risk.

3) Receivables

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

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**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

## (ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1-12months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2022</b>						
<b>Non-derivative financial liabilities</b>						
Secured bank loans	\$ 1,018,334	1,032,911	549,696	401,103	82,112	-
Unsecured loans	670,833	678,461	554,852	51,686	71,923	-
Leased liabilities (current and non-current)	35,192	36,289	10,808	6,146	9,780	9,555
Other payables	<u>1,790,334</u>	<u>1,790,334</u>	<u>1,790,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,514,693</u>	<u>3,537,995</u>	<u>2,905,690</u>	<u>458,935</u>	<u>163,815</u>	<u>9,555</u>
<b>December 31, 2021</b>						
<b>Non-derivative financial liabilities</b>						
Secured bank loans	\$ 660,000	664,825	68,914	241,770	354,141	-
Unsecured loans	700,000	701,348	701,348	-	-	-
Lease liabilities (current and non-current)	68,553	70,100	34,778	12,241	10,586	12,495
Other payables	<u>5,598,546</u>	<u>5,598,546</u>	<u>5,598,546</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,027,099</u>	<u>7,034,819</u>	<u>6,403,586</u>	<u>254,011</u>	<u>364,727</u>	<u>12,495</u>

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

## (iii) Currency risk

## 1) Exposure to foreign currency risk

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

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>TWD</u>
<b>Financial Assets</b>						
<u>Monetary items</u>						
USD	\$ 72,250	30.71	2,218,798	93,848	27.68	2,597,713
EUR	20	32.72	654	2	31.32	63
JPY	209,838	0.2324	48,766	196,874	0.2405	47,348
GBP	5	37.09	185	5	37.30	187

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	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rates	TWD	Foreign Currency	Exchange Rates	TWD
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	8,264	30.71	253,787	12,879	27.68	356,491
EUR	230	32.72	7,526	783	31.32	24,524
JPY	-	-	-	579	0.2405	139

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, borrowings, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the TWD against the USD, EUR, JPY, and GBP as of December 31, 2022 and 2021 would have increased (decreased) the net profit after tax by \$16,058 thousand and \$18,114 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for perior year.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$26,218 thousand and \$(79,683) thousand, respectively.

(iv) Interest rate analysis

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date.

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

If the interest rate had increased/decreased by 1%, with all other variable factors remaining constant, the Company's net income would have increased/decreased by \$13,513 thousand and \$10,880 thousand for the years ended December 31, 2022 and 2021, respectively. This is mainly due to the Company's borrowings in variable rates.

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**REXON INDUSTRIAL CORP., LTD.**  
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## (v) Fair value of financial instruments

## 1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company'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:

	December 31, 2022				
	<u>Carrying amount</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets at fair value through profit or loss</b>					
Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,892,911	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	770,468	-	-	-	-
Guarantee deposits paid	1,926	-	-	-	-
	<u>\$ 2,665,401</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
<b>Financial liabilities at amortized cost</b>					
Short-term borrowings	\$ 700,000	-	-	-	-
Notes payable, accounts payable, and other payable (including related parties)	1,790,334	-	-	-	-
Long-term borrowings, due 1 year portion	390,000	-	-	-	-
Loan-term borrowings	599,167	-	-	-	-
Leases liabilities	35,192	-	-	-	-
	<u>\$ 3,514,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

  

	December 31, 2021				
	<u>Carrying amount</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets at fair value through profit or loss</b>					
Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	4,492,307	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	1,754,755	-	-	-	-
Guarantee deposits paid	7,812	-	-	-	-
	<u>\$ 6,254,970</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>

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	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Financial liabilities at amortized cost</b>					
Short-term borrowings	\$ 700,000	-	-	-	-
Notes payable, accounts payable, and other payable(including related parties)	5,598,546	-	-	-	-
Long-term borrowings, due 1 year portion	66,667	-	-	-	-
Loan-term borrowings	593,333	-	-	-	-
Lease liabilities	68,553	-	-	-	-
	<b>\$ 7,027,099</b>	-	-	-	-

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

The Company'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.

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.

The Company 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) Transfer between Level 1 and Level 2

There were no transfers from one level to another in 2022 and 2021.

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**REXON INDUSTRIAL CORP., LTD.**  
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- 5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

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

Most of the Company'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.

**(x) Financial risk management**

**(i) Overview**

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

**(ii) Structure of risk management**

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

**(iii) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

1) Accounts receivable and other receivables

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

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

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries. As of December 31, 2022 and 2021, the Company provided financial guarantee to its subsidiaries amounted to \$61,420 thousand and \$138,400 thousand, respectively.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities to ensure they are in compliance with the terms of the loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. The Company has unused long-term and short-term credit line of \$3,470,000 thousand and \$3,820,000 thousand as of December 31, 2022 and 2021, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

1) Currency risk

The Company is exposed to currency risk on sales and purchases. The currencies used in these transactions are the EUR, USD, GBP and JPY.

2) Interest rate risk

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

(y) **Capital management**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 4,210,892	8,062,898
Less: cash and cash equivalents	<u>(1,892,911)</u>	<u>(4,492,307)</u>
Net debt	2,317,981	3,570,591
Total equity	<u>3,483,657</u>	<u>4,225,089</u>
Adjusted equity	<b><u>\$ 5,801,638</u></b>	<b><u>7,795,680</u></b>
Debt-to-equity ratio	<b><u>40%</u></b>	<b><u>46%</u></b>

The debt-to equity ratio was reduced on December 31, 2022, 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.**  
**Notes to the Parent Company Only Financial Statements**

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2022	Cash flows	Non-cash changes			December 31,2022
			Acquisition	Changes in lease payments	Foreign exchange movement	
Long-term borrowings (Including due within 1 year)	\$ 660,000	329,167	-	-	-	989,167
Short-term borrowings	700,000	-	-	-	-	700,000
Lease liabilities	68,553	(30,257)	4,228	(7,332)	-	35,192
Total liabilities from financing	<u>\$ 1,428,553</u>	<u>298,910</u>	<u>4,228</u>	<u>(7,332)</u>	<u>-</u>	<u>1,724,359</u>

  

	January 1,2021	Cash flows	Non-cash changes			December 31,2021
			Acquisition	Changes in lease payments	Foreign exchange movement	
Long-term borrowings (Including due within 1 year)	\$ 308,400	351,600	-	-	-	660,000
Short-term borrowings	280,000	420,000	-	-	-	700,000
Lease liabilities	23,619	(29,043)	73,977	-	-	68,553
Total liabilities from financing	<u>\$ 612,019</u>	<u>742,557</u>	<u>73,977</u>	<u>-</u>	<u>-</u>	<u>1,428,553</u>

**(7) Related-party transactions:**

(a) Names and relationship with the Company

The following is the entity that have had transactions with the Company during the periods covered in the financial statements.

<u>Name of related parey</u>	<u>Relationship with the Company</u>
Power Tool Specialists Inc. (P.T.S.)	Subsidiaries
Gold Item Group Ltd. (Gold Item)	Subsidiaries
Gold Tech Group Ltd. (Gold Tech)	Subsidiaries
Tongxiang Rexion Industrial Co., Ltd. (Tongxiang Rexion)	Subsidiaries
Rexion Technology Corp., Ltd. (Rexion Tech)	Subsidiaries
Fine Clear Co., Ltd. (Fine Clear)	An associate

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(b) Significant transactions with related parties

(i) Sale of goods to related parties

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

	<u>2022</u>	<u>2021</u>
Associates – Fine Clear	\$ 76,674	56,115
Subsidiaries – Other	<u>7,157</u>	<u>4,317</u>
	<u>\$ 83,831</u>	<u>60,432</u>

The price 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 transaction was ranged from 30 days to 120 days. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

ii) Purchase of goods from related-parties

	<u>2022</u>	<u>2021</u>
Subsidiaries – Tongxiang Rexon	\$ 980,602	942,986
Subsidiaries – Rexon Tech	<u>45,383</u>	<u>480,388</u>
	<u>\$ 1,025,985</u>	<u>1,423,374</u>

In 2022 and 2021, the subsidiaries were purchased the parts from the company \$9,174 thousand and \$19,452 thousand. The amount is not counted as the Company's revenue. Such part of sale of the parts was already being written-off against the cost of goods purchased of the parts in the financial statements.

The Company's payment term on related-parties is based on factors such as working capital, Industry characteristics and Industry status of related-parties. The term of purchase payment of the Company to related-parties is about 90 days to 150 days.

iii) Receivables from related-parties

<u>Account</u>	<u>Related-party type</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Notes receivable	Associates – Fine Clear	\$ <u>31,722</u>	<u>27,543</u>
Accounts receivable	Associates – Fine Clear	8,794	11,078
Accounts receivable	Subsidiaries – P.T.S	<u>-</u>	<u>2,743</u>
		<u>8,794</u>	<u>13,821</u>
Other receivables	Subsidiaries – Tongxiang Rexon	<u>8,784</u>	<u>7,941</u>

(Continued)



**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

iv) Payables to related-parties

<u>Account</u>	<u>Related-party type</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes payable	Associates – Fine Clear	\$ 94	3,799
Notes payable	Subsidiaries – Rexon Tech	29,665	-
		<u>\$ 29,759</u>	<u>3,799</u>
Accounts payables	Subsidiaries – Tongxiang Rexon	\$ 214,202	81,896
Accounts payables	Subsidiaries – Rexon Tech	3,761	85,828
		<u>\$ 217,963</u>	<u>167,724</u>
Other payables	Subsidiaries – P.T.S	\$ 101,111	94,376
Other payables	Subsidiaries – Tongxiang Rexon	44	260
Other payables	Subsidiaries – Rexon Tech	-	15
Other payables	Associates – Fine Clear	6	17
		<u>\$ 101,161</u>	<u>94,668</u>

Other payables to Subsidiaries – P.T.S consist of various operating expense that Subsidiaries – P.T.S has paid in advance for the Company. The amounts of other payables are \$101,111 thousand and \$94,376 thousand, respectively, on December 31, 2022 and 201.

v) Guarantee and endorsements

As of December 31, 2022 and 2021, the Company had provided a guarantee for loans taken out by subsidiaries-Tongxiang Rexon. The credit limit of the guarantee was \$61,420 thousand and \$138,400 thousand, respectively.

vi) Service fee

In 2022 and 2021, the Company's Service fee to subsidiaries due to sales to foreign manufactures whom subsidiaries provide service for is as follows:

	<u>Service fee</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries – P.T.S	<u>\$ 44,836</u>	<u>41,936</u>

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 31,407	54,540
Post-employment benefits	1,358	1,384
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 32,765</u>	<u>55,924</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	Guarantee for bank loans	\$ 296,916	296,916
Buildings	Guarantee for bank loans	562,467	557,572
		<u>\$ 859,383</u>	<u>854,488</u>

**(9) Significant commitments and contingencies**

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of property, plant and equipment	\$ 293,285	265,343

ii) Other:

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

**(10) Losses due to major disasters:None.**

**(11) Subsequent events: None.**

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(12) Other**

A summary of employee benefits, depreciation and amortization by function, is as follows:

By function By item	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	321,035	144,034	465,069	605,798	281,211	887,009
Labor and health insurance	43,232	17,474	60,706	72,862	18,735	91,597
Pension	18,159	5,029	23,188	26,343	7,550	33,893
Remuneration of directors	-	-	-	-	7,000	7,000
Others	6,121	1,248	7,369	14,088	1,547	15,635
Depreciation	242,660	36,381	279,041	170,479	26,517	196,996
Amortization	3,781	11,320	15,101	2,200	9,728	11,928

Additional information of the number of employees and employees benefits of the Company in 2022 and 2021 were as follows:

	2022	2021
The number of employees	958	1,744
The number of directors excluding the employees	4	5
The average of employees' benefit	\$ 583	589
The average of salary	\$ 487	508
The average of salary adjustment	(4)%	(14)%
Remuneration of supervisor	\$ -	-

The Company's payroll and benefit policy (directors, supervisors, managers and employees included) :

- (i) Attendance fee and distribution in earnings are included in Directors' and supervisors' remuneration. Based on the standards of the industry, attendance fee would be paid depending on attendance of each director and supervisor. The Board of Directors have been authorized to evaluate the remuneration for directors and managers in accordance with their participation and contribution, and the Company could pay the remuneration no matter where there are earnings or losses no more than the highest level of Company's payroll and benefit policy.
- (ii) Manager's remuneration includes salary, bonus, employee remuneration and employee stock options, wherein the employee's position, responsibilities, and the level of other industry, are being taken into consideration.
- (iii) Employees' payroll and benefit policy takes personal abilities, contributions to the Company, performance, competitiveness, and the future operating risks of the Company into consideration.

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

**(13) Other disclosures**

## (a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

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

(Amounts in Thousands of New Taiwan Dollar)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	2	1,393,463	(USD5,000) 158,750	(USD2,000) 61,420	(USD2,000) 61,420	-	1.76 %	1,393,463	Y	N	Y

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

Note2 : No.0 represents the parent company.

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

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

## (iii) Securities held as of December 31, 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				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
REXON INDUSTRIAL CORP., LTD.	Stock-Hwa Chung Venture Capital Corp.		Financial assets at fair value through profit or loss-current	10	96	-	96	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	The subsidiary	Purchase	980,602	37 %	90-150Days	Note 1	Note 2	(214,202)	(19)%	

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

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

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

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

Name of company	Name of Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tongxiang Rexon	REXON INDUSTRIAL CORP., LTD.	Parent company	Account receivable 214,202	6.62%	-	-	The recovery amount as of January 30, 2023 : 63,274	-

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
REXON INDUSTRIAL CORP., LTD.	Fine Clear Co., Ltd	R.O.C	Buying and selling accessories	14,197	14,197	1,600	16 %	16,420	1,177	188	Investment Using Equity Method
REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd. (Rexon Tech)	R.O.C	Manufacture and sale of electric components	293,741	293,741	7,851	82.87 %	97,871	309	256	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	U.S.A	Merchandise trading	196,465	196,465	0.1	96 %	154,890	(6,289)	(6,046)	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Gold Item Group Ltd.	British Virgin Islands	Investing and holding	747,858	747,858	US\$ 25,000 (Note 1)	100 %	702,524	(3,919)	(3,919)	Direct subsidiaries of the Company
Gold Item	Gold Tech Group Ltd.	Hong Kong	Investing and holding	US\$ 25,000	US\$ 25,000	US\$ 25,000 (Note 1)	100 %	682,012	(3,924)	(3,924)	Direct subsidiaries of Gold Item

Note 1 : Company Limited without issuing Shares. The amount of capital invested is disclosed.

(c) Information on investment in mainland China:

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

(Amounts in Thousands of New Taiwan Dollar)

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 December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of December 31, 2022	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow						
Tongxiang Rexon	Manufacture of drills, woodworking tools and fitness equipment	RMB 154,465 (USD25,000)	Note 1	USD 25,000 (NTD745,565)	-	-	USD 25,000 (NTD745,565)	(3,924)	100%	(3,924)	682,012	-

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$25,000 (NT\$745,565)	US\$25,000 (NT\$745,565)	2,090,194

(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".

(Continued)

**REXON INDUSTRIAL CORP., LTD.**  
**Notes to the Parent Company Only Financial Statements**

(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.		12,275,599	6.76 %

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

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

**(14) Segment information**

Please refer to 2022 consolidated financial report.

(Continued)

**Rexon Industrial Corp., Ltd.**  
**Statement of cash and cash equivalents**  
**December 31, 2022**  
**(In thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash	Petty cash	\$ 150
	Foreign currency cash on hand	<u>874</u>
	Subtotal	<u>1,024</u>
Cash in bank	Foreign currency deposit	
	USD46,386,866.31×30.71	
	JPY209,818,434 ×0.2324	
	EUR12,097.23 ×37.72	
	GBP4,727.67 ×37.09	1,473,900
	Demand deposits and checking deposits	<u>417,987</u>
	Subtotal	<u>1,891,887</u>
		<b><u>\$ 1,892,911</u></b>

**Rexon Industrial Corp., Ltd.**

**Statement of financial assets at fair value through profit or loss — current**

**December 31, 2022**

**(In thousands of New Taiwan Dollars)**

<b>Financial Instruments</b>	<b>Description</b>	<b>Shares (in thousand)</b>	<b>Unit cost (dollar)</b>	<b>Costs</b>	<b>Fair Value</b>	
					<b>Unit price (dollar)</b>	<b>Total</b>
<u>Non derivative financial instruments</u>						
<u>Equity Securities</u>						
Hwa Chung Venture Capital Corp.	Ordinary shares	10	9.60	\$ <u>96</u>	9.60	<u>96</u>
				<u>96</u>		<u>96</u>



**Rexon Industrial Corp., Ltd.**  
**Statement of notes and accounts receivable**  
**December 31, 2022**  
**(In thousands of New Taiwan Dollars)**

<u>Customer</u>	<u>Description</u>	<u>Amount</u>
Notes receivable:		
Company G	Operating income of non-related parties	\$ <u><u>51</u></u>
Accounts receivable:		-
Company D	Operating income of non-related parties	\$ 132,437
Company B	"	143,472
Company A	"	287,093
Other (Note2)	"	<u>159,550</u>
Total	"	722,552
Less: Loss allowance	"	<u>(1,603)</u>
Net amount		<u><u>\$ 720,949</u></u>

Note 1: Due to contract agreement, revealed by code.

Note 2: Amounts less than 5% for each customer — shall not be disclosed separately.

**Statement of inventories**

<u>Item</u>	<u>Amount</u>	
	<u>Cost</u>	<u>Market Value</u>
Automatic facilities and fitness equipment		
Finished goods	\$ 104,449	107,920
Work in progress	52,328	68,279
Raw materials	112,499	106,742
Parts	262,029	291,503
Merchandise	<u>5,036</u>	<u>4,948</u>
	536,341	<u><u>\$ 579,392</u></u>
Less: Loss allowance	<u>(78,028)</u>	
	<u><u>\$ 458,313</u></u>	

**Rexon Industrial Corp., Ltd.**  
**Statement of other current assets**  
**December 31, 2022**  
(In thousands of New Taiwan Dollars)

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Prepayment	Prepayments to suppliers	\$ 9,427
	Supplies inventory, prepaid insurance and others	<u>6,525</u>
		15,952
Tax receivables	Bussiness tax receivables	35,379
Payment on behalf of others	Payment of mold development and others	<u>13,640</u>
<b>Total</b>		<b>\$ <u><u>64,971</u></u></b>

**Rexon Industrial Corp., Ltd.**

**Statement of investments in equity-accounted investees**

**For the year ended December 31, 2022**

**(In thousands of New Taiwan Dollars)**

Investee name	Beginning balance		Addition		Decrease (Note1)		Other movements			Ending balance		Pledged as collateral	
	Shares	Amount	Shares	Amount	Shares	Amount	Share of profit (loss) from Equity Method	Share of profit (loss) from Equity Method	Others	Shares	Percentage of ownership		Amount
Power Tool Specialists Inc.	0.1	\$ 147,616	-	-	-	-	(6,046)	13,320	-	0.1	96	154,890	None
Rexon Technology Corp.,Ltd	7,851	97,615	-	-	-	-	256	-	-	7,851	82.87	97,871	None
Fine Clear Co.,Ltd	1,600	16,712	-	-	-	(480)	188	-	-	1,600	16	16,420	None
Gold Item Group Limited	-	695,689	-	-	-	-	(3,919)	10,754	-	-	-	702,524	None
		<u>\$ 957,632</u>				<u>(480)</u>	<u>(9,521)</u>	<u>24,074</u>				<u>971,705</u>	

Note 1 : The amount is dividends revenue in 2022.

**Rexon Industrial Corp., Ltd.**  
**Statement of property, plant and equipment**  
**For the year ended December 31, 2022**  
**(In thousands of New Taiwan Dollars)**

Related information for PP&E financial report please refers to Note 6 (g).

**Other non-current assets**  
**December 31, 2022**

<b>Item</b>	<b>Amount</b>
Prepaid equipment	\$ 641,030
Other	4,639
	<b>\$ 645,669</b>

**Rexon Industrial Corp., Ltd.**  
**Statement of short-term borrowing**  
**December 31, 2022**

<b>Creditor</b>	<b>Type of Loan</b>	<b>Ending Balance</b>	<b>Contract period</b>	<b>Interest rate</b>
Hua Nan Commercial Bank, Ltd.	Secured loan	\$ 200,000	Due within one year	1.550%
The Shanghai Commercial & Savings Bank, LTD. Bank of Taiwan	Credit loan	200,000	Due within one year	1.410%
First Commercial Bank	Credit loan	100,000	Due within one year	1.680%
Mega International Commercial Bank	Credit loan	100,000	Due within one year	1.725%
		<u>100,000</u>		
		<u>\$ 700,000</u>		

**Rexon Industrial Corp., Ltd.**  
**Statement of notes payable and accounts payable**  
**December 31, 2022**

<u>Customer</u>	<u>Description</u>	<u>Total</u>
Notes payable:		
Company A	Operating	\$ 156,718
Company B	Operating	7,088
Company I	Operating	29,666
Others(Note 2)	Operating	<u>220,798</u>
		<b><u>\$ 414,270</u></b>
Accounts payable		
Others (Note 2)	Operating	\$ <u>444,659</u>
		<b><u>\$ 444,659</u></b>

Note 1: Due to contract agreement, revealed by code.

Note 2: Amounts less than 5% for each customer shall not be disclosed separately.

**Rexon Industrial Corp., Ltd.**  
**Statement of others payable and other current liabilities**  
**December 31, 2022**  
**(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other payables	Advertising fee	\$ 419,819
	Employee year-end bonuses, payroll and non-leave bonuses	71,215
	Others(Note)	<u>91,488</u>
		<u><b>\$ 582,522</b></u>
Other current liabilities	Temporary collection of sales customer order cancellation fees	\$ 270,101
	Received from mold sharing payment and others	188,251
	Collections and other advance receipts	<u>8,906</u>
		<u><b>\$ 467,258</b></u>

Note : Amounts less than 5% for each customer shall not be disclosed separately.

**Rexon Industrial Corp., Ltd.**

**Statement of long-term loan payable and due in 1 year long-term loan**

**December 31, 2022**

**(In thousands of New Taiwan Dollars)**

<b>Creditor</b>	<b>Borrowing Amount</b>		<b>Due date</b>	<b>Interest Rate</b>	<b>Collateral</b>
	<b>Due within one year</b>	<b>Due more than one year</b>			
Hua Nan Bank	\$ 25,000	35,000	2020.02.27~2025.02.15, payment starting from 2023.03.15, monthly payment for 24 months.	0.95%	Land, Buildings
Hua Nan Bank	75,000	105,000	2020.03.18~2025.02.15, payment starting from 2023.03.15, monthly payment for 24 months.	0.95%	Land, Buildings
Hua Nan Bank	22,800	45,600	2020.04.17~2025.04.15, payment starting from 2023.05.15, monthly payment for 24 months.	0.95%	Land, Buildings
Hua Nan Bank	66,667	66,667	2021.12.17~2024.12.17, payment starting from 2022.03.17, monthly payment for 12 months.	1.56%	Land, Buildings
Hua Nan Bank	50,533	101,067	2021.06.28~2025.04.15, payment starting from 2023.05.15, monthly payment for 24 months.	0.95%	Land, Buildings
Hua Nan Bank	100,000	125,000	2022.01.04~2025.01.04, payment starting from 2023.04.14, every three months payment for 12 months.	1.56%	Land, Buildings
Chang Hwa Bank	50,000	120,833	2022.05.18~2026.05.18, payment starting from 2022.06.18, monthly payment for 48 months.	1.55%	None
	<b>\$ 390,000</b>	<b>599,167</b>			



**Rexon Industrial Corp., Ltd.**  
**Statement of Operating Revenue statement**  
**For the year ended December 31, 2022**  
**(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity(unit/piece)</u>	<u>Amount</u>
Automatic facilities	475,582	\$ 1,361,789
Fitness equipment	160,670	2,954,518
Others		<u>122,720</u>
		<u>\$ 4,439,027</u>

**Rexon Industrial Corp., Ltd.**  
**Statement of Operating Costs**  
**For the year ended December 31, 2022**  
**(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Finished goods, beginning of year	\$ 3,356
Add: Purchases	1,094,014
Less: finished goods, ending of year	(5,036)
Transfer fee	(53)
Cost of good sold	<u>1,092,281</u>
Raw materials, beginning of year	153,614
Add: Purchases	95,954
Less: Raw materials, end of year	(112,499)
Sold	(3,362)
Loss	(142)
Scrap loss	(1,431)
Others	<u>(3,413)</u>
Raw materials used	128,721
Parts, beginning of year	794,394
Add: Purchases	1,489,216
Direct Labor	58,160
Manufacturing expenses	91,502
Less: Sold	(84,712)
Scrap loss	(4,148)
Loss	(25)
Others	(265,922)
Parts, end of year	<u>(262,029)</u>
Work in progress Cost	1,945,157
Add: WIP, beginning of year	203,049
Direct labor	200,446
Manufacturing Expenses	383,070
Less: Others	(62,307)
WIP, end of year	<u>(52,328)</u>
Finished goods cost	2,617,087
Add: Finished goods, beginning of year	624,327
Less: Others	(865)
Finished goods, end of year	<u>(104,449)</u>
Cost of sales from manufacturing	3,136,100
Cost of raw materials and parts sold	3,136,100
Scrap loss	5,579
White-down of inventories	32,186
Revenue from sale of scraps	(2,770)
Loss	<u>167</u>
Operating cost	<u><u>\$ 4,351,617</u></u>

**Rexon Industrial Corp., Ltd.**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2022**  
**(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling expense</u>	<u>Administration Expense</u>	<u>Research and Development Expense</u>
Salaries	\$ 22,723	50,175	71,136
Shipping and export expense	32,354	28	90
Service expense	80,518	-	-
Advertising fee	72,120	1,549	-
Depreciation	2,997	20,385	12,999
Labor costs	-	20,392	3,856
Research expense	-	-	12,343
Others (Note)	<u>14,770</u>	<u>37,787</u>	<u>30,769</u>
Total	<u>\$ 225,482</u>	<u>130,316</u>	<u>131,193</u>

Note: Amounts less than 5% for each customer shall not be disclosed separately.

**Rexon Industrial Corp., Ltd.**  
**Non-operating income and expenses**  
**For the year ended December 31, 2022**  
**(In thousands of New Taiwan Dollars)**

Related information for Non-operating income and expenses financial report please refers to Note 6 (v).