

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2021 and 2020**

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

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## INDEPENDENT AUDITORS' REVIEW REPORT

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

### Introduction

We have reviewed the accompanying consolidated statements of financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2021 and 2020, and changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4 (b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$244,121 thousand and NT\$201,493 thousand, constituting 2% and 3% of consolidated total assets as of September 30, 2021 and 2020, respectively, total liabilities amounting to NT\$152,768 thousand and NT\$86,665 thousand, both constituting 2% of consolidated total liabilities as of September 30, 2021 and 2020, and total comprehensive income (loss) amounting to NT\$(120,565) thousand, NT\$(57,502) thousand, NT\$(349,824) thousand and NT\$(122,313) thousand, constituting (48)%, (23)%, (43)% and (27)% of consolidated total comprehensive income (loss) for the three months and the nine months ended September 30, 2021 and 2020, respectively.

Furthermore, as stated in Note 6 (g), the other equity accounted investments of Rexon Industrial Corp., Ltd. and its subsidiaries in its investee company of NT\$16,623 thousand and NT\$16,808 thousand as of September 30, 2021 and 2020, respectively, and its equity in net earnings (loss) on this investee company of NT\$136 thousand, NT\$0, NT\$429 thousand and NT\$100 thousand for the three months and the nine months ended September 30, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Rexion Industrial Corp., Ltd. and its subsidiaries as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and the nine months ended September 30, 2021 and 2020, and its consolidated cash flows for the nine months ended September 30, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 4, 2021

**Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
 Reviewed only, not audited in accordance with generally accepted standards as of September 30, 2021 and 2020

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

**Consolidated Statements of Financial Position**

**September 30, 2021, December 31, 2020, and September 30, 2020**

(Expressed in thousands of New Taiwan Dollars)

	September 30, 2021		December 31, 2020		September 30, 2020			September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Assets</b>													
<b>Current assets:</b>													
1100 Cash and cash equivalents (note 6 (a))	\$ 2,684,669	25	2,613,129	27	1,476,124	18	2100 Short-term borrowings (note 6 (l) and 8)	\$ 472,267	5	336,960	4	198,838	2
1110 Current financial assets at fair value through profit or loss (note 6 (b))	2,471	-	18,470	-	11,614	-	2130 Current contract liabilities (note 6 (u))	37,563	-	27,454	-	38,252	-
1120 Current financial assets at fair value through other comprehensive income (note 6 (c))	40,085	-	36,176	-	38,514	1	2150 Notes payable	1,148,523	11	789,241	8	630,925	8
1150 Notes receivable, net (note 6 (d))	1,721	-	109	-	1,361	-	2160 Notes payable to related parties (note 7)	2,617	-	843	-	866	-
1160 Notes receivable due from related parties, net (note 6 (d) and 7)	17,640	-	6,334	-	9,365	-	2170 Accounts payable	3,525,336	33	3,239,809	34	2,602,271	33
1170 Accounts receivable, net (note 6 (d))	1,877,360	17	2,380,141	25	2,312,850	29	2200 Other payables	733,797	7	564,912	6	471,997	6
1180 Accounts receivable due from related parties, net (note 6 (d) and 7)	10,288	-	3,352	-	441	-	2220 Other payables to related parties (note 7)	977	-	461	-	243	-
1200 Other receivables, net (note 6 (e))	535	-	522	-	1,207	-	2230 Current tax liabilities	107,466	1	101,388	1	-	-
1220 Current tax assets	-	-	-	-	19,784	-	2250 Current provisions (note 6 (p))	132,054	1	165,973	2	163,291	2
130x Inventories (note 6 (f))	2,122,062	20	1,096,194	12	946,863	12	2280 Current lease liabilities (note 6 (o))	34,293	-	12,376	-	1,370	-
1479 Other current assets (note 6 (k))	219,792	2	191,508	2	254,396	3	2320 Long-term borrowing, current portion (note 6 (n) and 8)	38,150	-	46,707	-	47,724	1
	<u>6,976,623</u>	<u>64</u>	<u>6,345,935</u>	<u>66</u>	<u>5,072,519</u>	<u>63</u>	2399 Other current liabilities (note 6 (m))	157,682	2	132,866	2	121,791	2
<b>Non-current assets:</b>								<u>6,390,725</u>	<u>60</u>	<u>5,418,990</u>	<u>57</u>	<u>4,277,568</u>	<u>54</u>
1517 Non-current financial assets at fair value through other comprehensive income (note 6 (c))	-	-	-	-	152,890	2	<b>Non-Current liabilities:</b>						
1550 Investments accounted for using equity method (note 6 (g))	16,623	-	16,994	-	16,808	-	2540 Long-term borrowings (note 6 (n) and 8)	460,000	4	334,032	4	346,521	4
1600 Property, plant and equipment (note 6 (h) and 8)	3,236,728	30	2,852,873	30	2,461,007	31	2570 Deferred tax liabilities	6,662	-	15,690	-	23,659	-
1755 Right-of-use assets (note 6 (i))	127,897	1	79,870	1	57,607	1	2580 Non-current lease liabilities (note 6 (o))	39,719	-	11,243	-	1,123	-
1780 Intangible assets (note 6 (j))	62,743	1	62,728	1	58,332	1		<u>506,381</u>	<u>4</u>	<u>360,965</u>	<u>4</u>	<u>371,303</u>	<u>4</u>
1840 Deferred tax assets	66,204	1	67,174	1	74,835	1	<b>Total liabilities</b>	<u>6,897,106</u>	<u>64</u>	<u>5,779,955</u>	<u>61</u>	<u>4,648,871</u>	<u>58</u>
1920 Guarantee deposits paid	8,219	-	4,403	-	2,603	-	<b>Equity attributable to owners of parent: (note 6 (s))</b>						
1975 Net defined benefit asset, non-current	8,546	-	80	-	7,870	-	3100 Ordinary shares	1,814,735	17	1,814,735	19	1,814,735	23
1990 Other non-current assets (note 6 (k))	309,317	3	111,091	1	97,864	1	3200 Capital surplus	586	-	433	-	433	-
	<u>3,836,277</u>	<u>36</u>	<u>3,195,213</u>	<u>34</u>	<u>2,929,816</u>	<u>37</u>	3300 Retained earnings (note 6 (c))	2,249,581	21	2,098,057	22	1,593,481	20
<b>Total assets</b>	<u>\$ 10,812,900</u>	<u>100</u>	<u>9,541,148</u>	<u>100</u>	<u>8,002,335</u>	<u>100</u>	3400 Other equity	(175,695)	(2)	(177,225)	(2)	(79,913)	(1)
								<u>3,889,207</u>	<u>36</u>	<u>3,736,000</u>	<u>39</u>	<u>3,328,736</u>	<u>42</u>
							36xx <b>Non-controlling interests</b>	<u>26,587</u>	<u>-</u>	<u>25,193</u>	<u>-</u>	<u>24,728</u>	<u>-</u>
							<b>Total equity</b>	<u>3,915,794</u>	<u>36</u>	<u>3,761,193</u>	<u>39</u>	<u>3,353,464</u>	<u>42</u>
							<b>Total liabilities and equity</b>	<u>\$ 10,812,900</u>	<u>100</u>	<u>9,541,148</u>	<u>100</u>	<u>8,002,335</u>	<u>100</u>

See accompanying notes to financial statements.

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

**Consolidated Statements of Comprehensive Income**

**For the three months and nine months ended September 30, 2021 and 2020**

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

	For the three months ended September 30				For the nine months ended September 30				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue, net (note 6 (u) and 7)	\$ 4,255,857	100	3,557,638	100	13,279,718	100	6,854,568	100
5000	Operating costs (note 6 (f) and (q))	3,717,899	87	2,972,237	84	11,446,422	86	5,684,505	83
	<b>Gross profit from operations</b>	<u>537,958</u>	<u>13</u>	<u>585,401</u>	<u>16</u>	<u>1,833,296</u>	<u>14</u>	<u>1,170,063</u>	<u>17</u>
6000	<b>Operating expenses (note 6 (q) and (v)):</b>								
6100	Selling expenses	124,776	3	137,266	4	415,488	3	270,452	4
6200	Administrative expenses	61,589	2	48,248	1	175,624	2	125,814	2
6300	Research and development expenses	53,127	1	52,590	1	160,767	1	138,740	2
	<b>Total operating expenses</b>	<u>239,492</u>	<u>6</u>	<u>238,104</u>	<u>6</u>	<u>751,879</u>	<u>6</u>	<u>535,006</u>	<u>8</u>
	<b>Net operating income</b>	<u>298,466</u>	<u>7</u>	<u>347,297</u>	<u>10</u>	<u>1,081,417</u>	<u>8</u>	<u>635,057</u>	<u>9</u>
7000	<b>Non-operating income and expenses:</b>								
7100	Interest income (note 6 (w))	296	-	525	-	1,508	-	3,745	-
7010	Other income (note 6 (w))	3,432	-	24,057	-	10,812	-	28,172	1
7020	Other gains and losses, net (note 6 (w))	11,117	-	(50,085)	(1)	(74,241)	-	(61,587)	(1)
7050	Finance costs (note 6 (w))	(2,388)	-	(2,063)	-	(6,261)	-	(10,266)	-
7060	Shares of profit of associates accounted for using equity method (note 6 (g))	136	-	-	-	429	-	100	-
		<u>12,593</u>	<u>-</u>	<u>(27,566)</u>	<u>(1)</u>	<u>(67,753)</u>	<u>-</u>	<u>(39,836)</u>	<u>-</u>
7900	<b>Profit before income tax</b>	311,059	7	319,731	9	1,013,664	8	595,221	9
7950	Income tax expense (note 6 (r))	62,311	1	63,722	2	201,321	2	118,412	2
8200	<b>Profit</b>	<u>248,748</u>	<u>6</u>	<u>256,009</u>	<u>7</u>	<u>812,343</u>	<u>6</u>	<u>476,809</u>	<u>7</u>
8300	<b>Other comprehensive income:</b>								
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>								
8316	Unrealized gains (loss) from investments in equity instruments measured at fair value through other comprehensive income	6,775	-	(16,800)	-	10,149	-	(23,525)	-
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>								
8361	Exchange differences on translation	(3,090)	-	13,230	-	(17,698)	-	(8,570)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (r))	618	-	(2,667)	-	2,959	-	1,680	-
		<u>(2,472)</u>	<u>-</u>	<u>10,563</u>	<u>-</u>	<u>(14,739)</u>	<u>-</u>	<u>(6,890)</u>	<u>-</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>4,303</u>	<u>-</u>	<u>(6,237)</u>	<u>-</u>	<u>(4,590)</u>	<u>-</u>	<u>(30,415)</u>	<u>-</u>
8500	<b>Comprehensive income</b>	<u>\$ 253,051</u>	<u>6</u>	<u>249,772</u>	<u>7</u>	<u>807,753</u>	<u>6</u>	<u>446,394</u>	<u>7</u>
	<b>Profit attributable to:</b>								
8610	Owners of parent	\$ 249,247	6	253,913	7	808,040	6	472,672	7
8620	Non-controlling interests	(499)	-	2,096	-	4,303	-	4,137	-
		<u>\$ 248,748</u>	<u>6</u>	<u>256,009</u>	<u>7</u>	<u>812,343</u>	<u>6</u>	<u>476,809</u>	<u>7</u>
	<b>Comprehensive income attributable to:</b>								
8710	Owners of parent	\$ 253,553	6	247,780	7	806,359	6	442,427	7
8720	Non-controlling interests	(502)	-	1,992	-	1,394	-	3,967	-
		<u>\$ 253,051</u>	<u>6</u>	<u>249,772</u>	<u>7</u>	<u>807,753</u>	<u>6</u>	<u>446,394</u>	<u>7</u>
	<b>Earnings per share (NT dollars) (note 6 (t))</b>								
9750	<b>Basic earnings per share</b>	<u>\$ 1.37</u>		<u>1.40</u>		<u>4.45</u>		<u>2.60</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 1.37</u>		<u>1.40</u>		<u>4.43</u>		<u>2.59</u>	

See accompanying notes to financial statements.

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

**Consolidated Statements of Changes in Equity**  
**For the nine months ended September 30, 2021 and 2020**  
(expressed in thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Share capital		Retained earnings			Total	Exchange differences on translation of foreign financial statements	Other equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total other equity interest			
<b>Balance at January 1, 2020</b>	\$ 1,814,735	433	132,034	-	1,533,195	1,665,229	(161,113)	111,445	(49,668)	3,430,729	20,761	3,451,490
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	133,345	-	(133,345)	-	-	-	-	-	-	-
Special reserve	-	-	-	49,668	(49,668)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(544,420)	(544,420)	-	-	-	(544,420)	-	(544,420)
	-	-	133,345	49,668	(727,433)	(544,420)	-	-	-	(544,420)	-	(544,420)
Profit for the period	-	-	-	-	472,672	472,672	-	-	-	472,672	4,137	476,809
Other comprehensive income for the period	-	-	-	-	-	-	(6,720)	(23,525)	(30,245)	(30,245)	(170)	(30,415)
Comprehensive income	-	-	-	-	472,672	472,672	(6,720)	(23,525)	(30,245)	442,427	3,967	446,394
<b>Balance at September 30, 2020</b>	\$ 1,814,735	433	265,379	49,668	1,278,434	1,593,481	(167,833)	87,920	(79,913)	3,328,736	24,728	3,353,464
<b>Balance at 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	25,193	3,761,193
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	97,724	-	(97,724)	-	-	-	-	-	-	-
Special reserve	-	-	-	127,558	(127,558)	-	-	-	-	-	-	-
Cash dividends or ordinary share	-	-	-	-	(653,305)	(653,305)	-	-	-	(653,305)	-	(653,305)
	-	-	97,724	127,558	(878,587)	(653,305)	-	-	-	(653,305)	-	(653,305)
Profit for the period	-	-	-	-	808,040	808,040	-	-	-	808,040	4,303	812,343
Other comprehensive income for the period	-	-	-	-	-	-	(11,830)	10,149	(1,681)	(1,681)	(2,909)	(4,590)
Comprehensive income	-	-	-	-	808,040	808,040	(11,830)	10,149	(1,681)	806,359	1,394	807,753
Changes in ownership interests in subsidiaries	-	153	-	-	-	-	-	-	-	153	-	153
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(3,211)	(3,211)	-	3,211	3,211	-	-	-
<b>Balance at September 30, 2021</b>	\$ 1,814,735	586	363,103	177,226	1,709,252	2,249,581	(168,653)	(7,042)	(175,695)	3,889,207	26,587	3,915,794

See accompanying notes to financial statements.

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

**Consolidated Statements of Cash Flows**

**For the three months and nine months ended September 30, 2021 and 2020**

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

	For the nine months ended September 30	
	2021	2020
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 1,013,664	595,221
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expenses	186,431	119,683
Amortization expenses	10,789	8,624
Interest expenses	6,261	10,266
Interest income	(1,508)	(3,745)
Dividend income	-	(10,224)
Shares of profit of associates accounted for using equity method	(429)	(100)
Losses on disposal of property, plant and equipment	3,698	1,808
Total adjustments to reconcile profit	<u>205,242</u>	<u>126,312</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	15,999	95,432
Notes receivable	(1,612)	(776)
Notes receivable due from related parties	(11,306)	1,375
Accounts receivable	502,781	(1,269,044)
Accounts receivable due from related parties	(6,936)	22,379
Other receivables	(13)	(1)
Inventories	(1,025,868)	(310,833)
Other current assets	(28,284)	(146,782)
Net defined benefit assets	(8,466)	(2,659)
Other operating assets	(3,125)	(524)
	<u>(566,830)</u>	<u>(1,611,433)</u>
<b>Changes in operating liabilities:</b>		
Contract liabilities	10,109	12,736
Notes payable	359,282	203,455
Notes payable to related parties	1,774	235
Accounts payable	285,527	1,322,799
Other payables	213,700	(31,619)
Other payables to related parties	516	109
Other current liabilities	(9,103)	11,885
	<u>861,805</u>	<u>1,519,600</u>
Total changes in operating assets and liabilities	<u>294,975</u>	<u>(91,833)</u>
Total adjustments	<u>500,217</u>	<u>34,479</u>
Cash inflow generated from operations	1,513,881	629,700
Interest received	1,508	3,983
Dividends received	800	10,224
Interest paid	(6,692)	(10,439)
Income taxes paid	(194,727)	(307,653)
<b>Net cash from operating activities</b>	<u>1,314,770</u>	<u>325,815</u>
<b>Cash flows from (used in) investing activities:</b>		
Changes in ownership interests in subsidiaries	153	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	4,792
Decrease (increase) in restricted assets	8,000	(8,000)
Acquisition of property, plant and equipment	(324,955)	(168,945)
Proceeds from disposal of property, plant and equipment	4,703	18,664
Increase in refundable deposits	(3,816)	(780)
Acquisition of intangible assets	(10,856)	(8,395)
Increase in prepayments for business facilities	(490,971)	(85,380)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6,239	-
<b>Net cash used in investing activities</b>	<u>(811,503)</u>	<u>(248,044)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	1,272,845	1,249,770
Decrease in short-term borrowings	(1,141,346)	(1,690,881)
Increase from long-term borrowings	651,600	308,400
Repayments of long-term borrowings	(534,724)	(44,822)
Payments of lease liabilities	(20,239)	(990)
Cash dividends paid	(653,305)	(544,420)
<b>Net cash used in financing activities</b>	<u>(425,169)</u>	<u>(722,943)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(6,558)</u>	<u>(16,454)</u>
<b>Net decrease in cash and cash equivalents</b>	71,540	(661,626)
<b>Cash and cash equivalents at the beginning of period</b>	<u>2,613,129</u>	<u>2,137,750</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 2,684,669</u>	<u>1,476,124</u>

See accompanying notes to financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted standards as of September 30, 2021 and 2020  
**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**September 30, 2021 and 2020**

**(expressed in thousands of New Taiwan Dollars unless otherwise specified)**

**(1) Overview**

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

**(2) Financial Statements Authorization Date and Authorization process**

These consolidated financial statements for the nine months ended September 30, 2021 and 2020 were authorized for issuance by the Board of Directors on November 4, 2021.

**(3) New standards, Amendments and Interpretations Adopted:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(Continued)

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

- (c) The impact of IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

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

**(4) Significant Accounting Policies**

**(a) Statement of compliance**

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

**(b) Basis of consolidation**

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Power Tool Specialists Inc. (P.T.S.)	Merchandise trading	96%	96%	96%	Note 1
"	Gold Item Group Ltd.(Gold Item)	Investing and holding	100%	100%	100%	
"	Rexon Technology Corp., Ltd. (Rexon Tech)	Manufacture and sale of electric components	82.87%	80.09%	80.09%	Note 1
Gold Item	Gold Tech Group Ltd.	Investing and holding	100%	100%	100%	
Gold Tech Group Ltd.	Tongxiang Rexon Industrial Co., Ltd.(Tongxiang Rexon)	Manufacture of drills, woodworking tools and fitness equipment	100%	100%	100%	
Rexon Tech.	Rexon Technology Ltd.(Brunei)	Investing and holding	-	100%	100%	Note 2
Rexon Technology Ltd. (Brunei)	Rexon Technology Ltd. (Shanghai)	Manufacture and sale of radio communication equipment	-	100%	100%	Note 2

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

Note 2: The subsidiaries, Rexon Technology Ltd. (Brunei) and Rexon Technology Ltd. (Shanghai), were liquidated on March, 2021.

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

(Continued)

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

**(c) Income taxes**

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

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

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

**(d) Employee benefits**

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

**(5) Major Sources of Accounting Assumptions, Judgements and Estimation Uncertainties:**

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

In the preparation of the consolidated financial statements, the major sources of significant accounting judgments and estimation uncertainty are consistent with Note (5) of the consolidated financial statements for the year ended December 31, 2020.

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

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

(Continued)

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

**(6) Explanation of Significant Accounts:**

Except as described in the following paragraphs, there were no significant differences with those disclosed in the 2020 annual consolidated financial statements. Please refer to Note (6) of the consolidated financial statements for the year ended December 31, 2020, for other related information.

**(a) Cash and cash equivalents**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Petty cash and cash on hand	\$ 1,167	1,044	1,224
Checking and demand deposits	2,683,502	2,612,085	1,471,990
Time deposits	<u>-</u>	<u>-</u>	<u>2,910</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 2,684,669</u>	<u>2,613,129</u>	<u>1,476,124</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<b>Mandatorily measured at fair value through profit or loss:</b>			
Non-derivative financial assets			
Stocks listed on domestic markets	\$ 2,375	18,374	11,518
Stocks unlisted on domestic markets	<u>96</u>	<u>96</u>	<u>96</u>
Total	<u>\$ 2,471</u>	<u>18,470</u>	<u>11,614</u>

- (i) For the gain or loss arising from the revaluation to market value, please refer to Note 6(w).
- (ii) As of September 30, 2021, December 31, 2020 and September 30, 2020, the financial assets at fair value through profit or loss of the Group were not pledged as collateral.
- (iii) For credit risk and market risk, please refer to Note 6(x).

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<b>Equity investments at fair value through other comprehensive income</b>			
Domestic Company - FALCON MACHINE TOOLS CO.,LTD			
	\$ 40,085	36,176	38,514
Domestic Company - ASIX Electronics Corporation			
	<u>-</u>	<u>-</u>	<u>152,890</u>
Total	<u>\$ 40,085</u>	<u>36,176</u>	<u>191,404</u>

(Continued)

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

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

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

- (ii) During the period from January 1, 2021 to September 30, 2021, the Group has sold its equity instrument investment measured at fair value through other comprehensive income for strategic purposes. The shares sold had a fair value of \$6,239 thousand wherein the Group realized a loss of \$3,211 thousand which was transferred from other comprehensive income to retained earnings. There was no disposal of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of September 30, 2020.
- (iii) For credit risk and market risk, please refer to Note 6(x).
- (iv) As of September 30, 2021, December 31, 2020 and September 30, 2020, the financial assets at fair value through other comprehensive income were not pledged as collateral.

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Notes receivable from operating activities	\$ 1,721	109	1,361
Notes receivable from operating activities-related parties	<u>17,640</u>	<u>6,334</u>	<u>9,365</u>
Total	<b><u>\$ 19,361</u></b>	<b><u>6,443</u></b>	<b><u>10,726</u></b>
Accounts receivable-measured at amortized cost	\$ 1,878,963	2,381,744	2,314,453
Accounts receivable from related parties-measured at amortized cost	10,288	3,352	441
Less: Loss allowance	<u>(1,603)</u>	<u>(1,603)</u>	<u>(1,603)</u>
Total	<b><u>\$ 1,887,648</u></b>	<b><u>2,383,493</u></b>	<b><u>2,313,291</u></b>

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

(Continued)

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

	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,384,391	0.07%	932
1 to 90 days past due	523,619	0.07%	369
91 to 180 days past due	601	50%	301
181 to 360 days past due	1	100%	1
Total	<b>\$ 1,908,612</b>		<b>1,603</b>

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

	<b>September 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,086,669	0.04%	760
1 to 90 days past due	238,600	0.23%	551
91 to 180 days past due	351	83.10%	292
181 to 360 days past due	-	-%	-
Over 360 days past due	-	-%	-
Total	<b>\$ 2,325,620</b>		<b>1,603</b>

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

	<b>2021</b>	<b>2020</b>
Balance at January 1		
(which is balance at September 30)	<b>\$ 1,603</b>	<b>1,603</b>

(iv) None of the receivables was pledged as collateral as of September 30, 2021, December 31, 2020 and September 30, 2020.

(Continued)

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

(e) **Other receivables**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other receivables	\$ 11,782	11,769	12,454
Less: Loss allowance	<u>(11,247)</u>	<u>(11,247)</u>	<u>(11,247)</u>
	<u><u>\$ 535</u></u>	<u><u>522</u></u>	<u><u>1,207</u></u>

(i) As of September 30, 2021, December 31, 2020 and September 30, 2020, 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>2021</u>	<u>2020</u>
Balance on January 1 (which is balance at September 30)	<u>\$ 11,247</u>	<u>11,247</u>

(f) **Inventories**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Finished goods	\$ 865,128	294,174	134,610
Work in progress	293,631	199,733	277,882
Materials	229,393	146,183	63,512
Parts	724,879	416,496	444,750
Merchandise	<u>9,031</u>	<u>39,608</u>	<u>26,109</u>
	<u><u>\$ 2,122,062</u></u>	<u><u>1,096,194</u></u>	<u><u>946,863</u></u>

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

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Inventory scrap loss	\$ 5,632	2,562	10,371	8,597
Inventory surplus	-	-	150	26
Revenue from sale of scraps	(6,182)	(3,462)	(17,812)	(6,743)
Unallocated production overheads	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,787</u>
	<u><u>\$ (550)</u></u>	<u><u>(900)</u></u>	<u><u>(7,291)</u></u>	<u><u>8,667</u></u>

The major subsidiary of the Group located in China was shutted down in February 2020 due to the effect of Covid-19, the unallocated production overheads of \$6,787 thousand incurred during the period is recognized under current operating costs.

As of September 30, 2021, December 30, 2020 and September 30, 2020, inventories were not pledged as collateral.

(Continued)



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

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Associates	<u><u>\$ 16,623</u></u>	<u><u>16,994</u></u>	<u><u>16,808</u></u>

(i) Associates

Affiliated company's information:

<u>Name of Associates</u>	<u>Nature of relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>		
			<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fine Clear Corp., Ltd.	Sale of pneumatic nail gun and accessories, which is the Group's investment	Taiwan	16%	16%	16%

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Carrying amount of individually insignificant associates' equity	<u><u>\$ 16,623</u></u>	<u><u>16,994</u></u>	<u><u>16,808</u></u>

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Attributable to the Group:				
Profit from continuing operation	\$ 136	-	429	100
Other comprehensive income	-	-	-	-
Comprehensive income	<u><u>\$ 136</u></u>	<u><u>-</u></u>	<u><u>429</u></u>	<u><u>100</u></u>

(ii) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

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

(Continued)

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

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

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the nine months ended September 30, 2021, December 31, 2020 and September 30, 2020, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Tooling equipment</u>	<u>Office equipment and other facilities</u>	<u>Construct ion in Progress</u>	<u>Total</u>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2021	\$ 946,564	2,068,956	725,055	866,514	154,644	79	4,761,812
Additions	193,443	41,305	44,820	53,082	20,511	-	353,161
Disposal	-	-	(156,112)	(210,345)	(8,016)	-	(374,473)
Reclassification	-	39,357	130,269	44,879	852	(79)	215,278
Effect of movements in exchange rates	(60)	(12,150)	(2,325)	(1,319)	(442)	-	(16,296)
Balance on September 30, 2021	<u>\$ 1,139,947</u>	<u>2,137,468</u>	<u>741,707</u>	<u>752,811</u>	<u>167,549</u>	<u>-</u>	<u>4,939,482</u>
Balance on January 1, 2020	\$ 523,496	2,000,533	632,272	791,385	152,341	650	4,100,677
Additions	110,723	14,358	29,595	44,047	8,278	-	207,001
Disposal	(6)	(202)	(24,904)	(3,849)	(6,208)	-	(35,169)
Reclassification	-	12,179	36,901	10,824	209	-	60,113
Effect of movements in exchange rates	(83)	(5,006)	(1,024)	(286)	(317)	(4)	(6,720)
Balance on September 30, 2020	<u>\$ 634,130</u>	<u>2,021,862</u>	<u>672,840</u>	<u>842,121</u>	<u>154,303</u>	<u>646</u>	<u>4,325,902</u>
<b>Depreciation and impairment loss:</b>							
Balance on January 1, 2021	\$ -	778,946	385,480	625,001	119,512	-	1,908,939
Depreciation	-	65,776	50,918	40,570	7,457	-	164,721
Disposal	-	-	(152,898)	(206,473)	(6,701)	-	(366,072)
Effect of movements in exchange rates	-	(2,822)	(1,001)	(627)	(384)	-	(4,834)
Balance on September 30, 2021	<u>\$ -</u>	<u>841,900</u>	<u>282,499</u>	<u>458,471</u>	<u>119,884</u>	<u>-</u>	<u>1,702,754</u>
Balance on January 1, 2020	\$ -	701,875	346,805	597,446	117,270	-	1,763,396
Depreciation	-	55,634	32,664	22,501	6,904	-	117,703
Disposal	-	(8)	(6,580)	(2,925)	(5,184)	-	(14,697)
Effect of movements in exchange rates	-	(893)	(239)	(84)	(291)	-	(1,507)
Balance on September 30, 2020	<u>\$ -</u>	<u>756,608</u>	<u>372,650</u>	<u>616,938</u>	<u>118,699</u>	<u>-</u>	<u>1,864,895</u>
<b>Carrying amounts:</b>							
Balance on January 1, 2021	<u>\$ 946,564</u>	<u>1,290,010</u>	<u>339,575</u>	<u>241,513</u>	<u>35,132</u>	<u>79</u>	<u>2,852,873</u>
Balance on September 30, 2021	<u>\$ 1,139,947</u>	<u>1,295,568</u>	<u>459,208</u>	<u>294,340</u>	<u>47,665</u>	<u>-</u>	<u>3,236,728</u>
Balance on January 1, 2020	<u>\$ 523,496</u>	<u>1,298,658</u>	<u>285,467</u>	<u>193,939</u>	<u>35,071</u>	<u>650</u>	<u>2,337,281</u>
Balance on September 30, 2020	<u>\$ 634,130</u>	<u>1,265,254</u>	<u>300,190</u>	<u>225,183</u>	<u>35,604</u>	<u>646</u>	<u>2,461,007</u>

- (i) In response to the need for expansion in the future, the Group bought the farmland near to its factory, costing \$315,131 thousand, but the ownership of the land is temporarily not allowed to be transferred to the Group because the farmland is legally for agricultural purpose. Therefore, the farmland now is registered in the name of a shareholder who has the identity of yeoman and has been pledged to the Group for security concerns.
- (ii) Gain or losses of disposal, please refer to Note 6(w).
- (iii) As of September 30, 2021, December 31, 2020 and September 30, 2020, property, plant and equipment of the Group had been pledged as collateral for bank loans; please refer to note 8.

(Continued)

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

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

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost:</b>				
Balance at January 1, 2021	\$ 58,663	21,388	5,142	85,193
Additions	27,981	30,239	12,412	70,632
Effect of movement in exchange rates	(949)	-	-	(949)
Balance at September 30, 2021	<u>\$ 85,695</u>	<u>51,627</u>	<u>17,554</u>	<u>154,876</u>
Balance at January 1, 2020	\$ 57,757	-	3,766	61,523
Additions	-	-	328	328
Effect of movement in exchange rates	(327)	-	-	(327)
Balance at September 30, 2020	<u>\$ 57,430</u>	<u>-</u>	<u>4,094</u>	<u>61,524</u>
<b>Accumulated depreciation and impairment losses: :</b>				
Balance at January 1, 2021	\$ 2,667	594	2,062	5,323
Depreciation for the period	2,392	15,851	3,467	21,710
Effect of movement in exchange rates	(54)	-	-	(54)
Balance at September 30, 2021	<u>\$ 5,005</u>	<u>16,445</u>	<u>5,529</u>	<u>26,979</u>
Balance at January 1, 2020	\$ 1,312	-	628	1,940
Depreciation for the period	975	-	1,005	1,980
Effect of movement in exchange rates	(3)	-	-	(3)
Balance at September 30, 2020	<u>\$ 2,284</u>	<u>-</u>	<u>1,633</u>	<u>3,917</u>
<b>Carrying amount:</b>				
Balance at January 1, 2021	<u>\$ 55,996</u>	<u>20,794</u>	<u>3,080</u>	<u>79,870</u>
Balance at September 30, 2021	<u>\$ 80,690</u>	<u>35,182</u>	<u>12,025</u>	<u>127,897</u>
Balance at January 1, 2020	<u>\$ 56,445</u>	<u>-</u>	<u>3,138</u>	<u>59,583</u>
Balance at September 30, 2020	<u>\$ 55,146</u>	<u>-</u>	<u>2,461</u>	<u>57,607</u>

(j) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of the Group for the nine months ended September 30, 2021 and 2020, were as follows:

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
<b>Costs:</b>			
Balance at January 1, 2021	\$ 43,293	127,372	170,665
Additions	-	10,856	10,856
Effect of movement in exchange rates	-	(114)	(114)
Balance at September 30, 2021	<u>\$ 43,293</u>	<u>138,114</u>	<u>181,407</u>
Balance at January 1, 2020	\$ 43,293	111,130	154,423
Additions	-	8,395	8,395
Effect of movement in exchange rates	-	(34)	(34)
Balance at September 30, 2020	<u>\$ 43,293</u>	<u>119,491</u>	<u>162,784</u>

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

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
<b>Amortization and impairment Loss:</b>			
Balance at January 1, 2021	\$ -	107,937	107,937
Amortization for the period	-	10,789	10,789
Effect of movement in exchange rates	-	(62)	(62)
Balance at September 30, 2021	<u>\$ -</u>	<u>118,664</u>	<u>118,664</u>
Balance at January 1, 2020	\$ -	95,842	95,842
Amortization for the period	-	8,624	8,624
Effect of movement in exchange rates	-	(14)	(14)
Balance at September 30, 2020	<u>\$ -</u>	<u>104,452</u>	<u>104,452</u>
<b>Carrying value:</b>			
Balance at January 1, 2021	<u>\$ 43,293</u>	<u>19,435</u>	<u>62,728</u>
Balance at September 30, 2021	<u>\$ 43,293</u>	<u>19,450</u>	<u>62,743</u>
Balance at January 1, 2020	<u>\$ 43,293</u>	<u>15,288</u>	<u>58,581</u>
Balance at September 30, 2020	<u>\$ 43,293</u>	<u>15,039</u>	<u>58,332</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, the intangible assets of the Group were not pledged as collateral.

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other current assets:			
Prepayments	\$ 72,106	56,473	154,885
Business tax receivables	133,282	127,888	90,862
Temporary payments and payment on behalf of others	14,404	7,147	8,649
	<u>\$ 219,792</u>	<u>191,508</u>	<u>254,396</u>
Other non-current assets:			
Prepayments for equipment	\$ 302,893	99,792	86,334
Restricted assets	-	8,000	8,000
Other	6,424	3,299	3,530
	<u>\$ 309,317</u>	<u>111,091</u>	<u>97,864</u>

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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(l) **Short-term borrowings**

The short-term borrowings were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unsecured bank loans	\$ 402,500	280,000	173,200
Secured bank loans	69,767	56,960	25,638
Total	<u>\$ 472,267</u>	<u>336,960</u>	<u>198,838</u>
Unused credit lines	<u>\$ 3,325,150</u>	<u>1,925,674</u>	<u>2,077,100</u>
Range of interest rate	<u>0.8%~4.785%</u>	<u>0.69%~4.57%</u>	<u>0.9%~4.57%</u>

(i) Additional short-term borrowings and repayments

For the nine months ended September 30, 2021 and 2020, the Group had the additional short-term borrowings amounting to \$1,272,845 thousand and \$1,249,770 thousand, with a range of interest rate 0.8%~4.785% and 0.9%~1.44%, maturing in a range from May, 2021 to September, 2022 and from November, 2020 to April, 2021, and the repayments were \$1,141,346 thousand and \$1,690,881 thousand, respectively.

(ii) Collateral for short-term borrowings

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

(m) Other current liabilities

The details of other current liabilities were summarized as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Advance receipts—Other	\$ -	3,571	-
Temporary receipt	147,572	121,572	114,455
Others	10,110	7,723	7,336
	<u>\$ 157,682</u>	<u>132,866</u>	<u>121,791</u>

Temporary receipt is mainly received from mold sharing payment.

(n) **Long-term borrowings**

The details of long-term borrowings were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unsecured bank loans	\$ 38,150	72,339	85,845
Secured bank loans	460,000	308,400	308,400
Less: current portion	(38,150)	(46,707)	(47,724)
Total	<u>\$ 460,000</u>	<u>334,032</u>	<u>346,521</u>
Unused long-term credit lines	<u>\$ 170,000</u>	<u>821,600</u>	<u>821,600</u>
Range of interest rate	<u>0.45%~2.3%</u>	<u>0.45%~4.25%</u>	<u>0.45%~4.25%</u>

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

(i) Additional long-term borrowings and repayments

For the nine months ended September 30, 2021 and 2020, the Group had the additional long-term borrowings amounting to \$651,600 thousand and \$308,400 thousand, with a range of interest rate 0.45%~1.05% and 0.45%~0.7%, maturing in a range from February, 2024 to April, 2025 and from February, 2025 to April, 2025, and the repayments were \$534,724 thousand and \$44,822 thousand, respectively.

(ii) Collateral for long-term borrowings

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

(o) **Lease liabilities**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current	<u>\$ 34,293</u>	<u>12,376</u>	<u>1,370</u>
Non-current	<u>\$ 39,719</u>	<u>11,243</u>	<u>1,123</u>

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

The amount recognized in profit or loss was as follows:

	<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Interest expense on lease liabilities	<u>\$ 480</u>	<u>49</u>

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

	<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>\$ 20,719</u>	<u>1,039</u>

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

(p) **Provisions**

	<u>Warranties</u>
Balance at January 1, 2021	\$ 165,973
Provisions made during the period	120,212
Provisions used during the period	<u>(154,131)</u>
Balance at September 30, 2021	<u>\$ 132,054</u>

(Continued)

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

	<b>Warranties</b>
Balance at January 1, 2020	\$ 166,842
Provisions made during the period	166,635
Provisions used during the period	(170,186)
Balance at September 30, 2020	<b>\$ 163,291</b>

The provision for warranties relates mainly to automatic facilities and fitness equipments sold for the period ended September 30, 2021 and 2020. The provision is based on estimates made from historical defect rate associated with similar products and services. The Group expects to settle the liability over the next two quarters.

(q) **Employee benefits**

(i) Defined benefit plans

In prior fiscal year, there was no material volatility of the market, reimbursement and settlement or other material one-time events. As a result, pension cost in the accompanying interim financial statements is measured and disclosed as of December 31, 2020 and 2019.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Operating costs	\$ 969	1,030	3,007	2,974
Selling expenses	210	155	530	463
Administrative expenses	330	306	985	997
Research and development expenses	260	217	668	650
	<b>\$ 1,769</b>	<b>1,708</b>	<b>5,190</b>	<b>5,084</b>

(ii) Defined contribution plans

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Operating costs	\$ 7,169	3,462	19,347	9,270
Selling expenses	316	259	885	813
Administrative expenses	779	618	2,208	1,898
Research and development expenses	1,023	718	2,705	2,161
	<b>\$ 9,287</b>	<b>5,057</b>	<b>25,145</b>	<b>14,142</b>

Except for the Company and Rexion Technology Corp., Ltd., other subsidiaries adopted the defined contribution method under their local law, and accordingly, the pension costs were \$1,339 thousand, \$570 thousand, \$3,964 thousand and \$1,864 thousand for the three months ended September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020.

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

(r) **Income taxes**

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current tax expenses				
Current period	\$ 65,534	62,308	206,938	111,818
Adjustment for prior periods	(1)	1,074	(517)	1,074
Deferred tax expenses				
Origination and reversal of temporary differences	(3,222)	340	(5,100)	5,520
Income tax expenses from continuing operations	<u>\$ 62,311</u>	<u>63,722</u>	<u>201,321</u>	<u>118,412</u>

The amounts of income tax recognized in other comprehensive income for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>\$ 618</u>	<u>(2,667)</u>	<u>2,959</u>	<u>1,680</u>

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

(s) **Capital and other equity**

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to September 30, 2021 and 2020. For the related information, please refer to note 6 (t) of the consolidated financial statements for the year ended December 31, 2020.

(i) **Retained earnings**

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

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

1) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should equal to the net reduction of other shareholders' equity in current year. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special reserve (which and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of September 30, 2021, December 31, 2020 and September 30, 2020, the amounts of such special reserves were \$177,226 thousand, \$49,668 thousand and \$49,668 thousand, respectively.

2) Earnings distribution

The amount of cash dividends on appropriations of earnings for 2020 had been approved in the board meeting on March 15, 2021. The appropriations of earnings for 2019 had been approved in the shareholders' meeting on June 18, 2020. These earnings were appropriated as follows:

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

(ii) Other equity, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2021	(156,823)	(20,402)	(177,225)
Exchange differences on foreign operations	(11,830)	-	(11,830)
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	-	10,149	10,149
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	3,211	3,211
Balance at September 30, 2021	<b>\$ (168,653)</b>	<b>(7,042)</b>	<b>(175,695)</b>
Balance at January 1, 2020	\$ (161,113)	111,445	(49,668)
Exchange differences on foreign operations	(6,720)	-	(6,720)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(23,525)	(23,525)
Balance at September 30, 2020	<b>\$ (167,833)</b>	<b>87,920</b>	<b>(79,913)</b>

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

(t) **Earnings per share**

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>249,247</u>	<u>253,913</u>	<u>808,040</u>	<u>472,672</u>
Weighted-average number of ordinary shares	<u>181,473</u>	<u>181,473</u>	<u>181,473</u>	<u>181,473</u>
Basic earnings per share	\$ <u>1.37</u>	<u>1.40</u>	<u>4.45</u>	<u>2.60</u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u>249,247</u>	<u>253,913</u>	<u>808,040</u>	<u>472,672</u>
Weighted-average number of ordinary shares (basic)	\$ 181,473	181,473	181,473	181,473
Effect of dilutive potential ordinary shares				
Effect of employee share bonus	238	204	934	990
Weighted-average number of ordinary shares (diluted)	<u>181,711</u>	<u>181,677</u>	<u>182,407</u>	<u>182,463</u>
Diluted earnings per share	\$ <u>1.37</u>	<u>1.40</u>	<u>4.43</u>	<u>2.59</u>

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

(i) Details of revenue

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<u>Primary geographical markets</u>				
America	\$ 3,975,918	3,474,637	12,851,707	6,555,624
Europe	233,075	61,946	332,957	134,630
Other	<u>46,864</u>	<u>21,055</u>	<u>95,054</u>	<u>164,314</u>
	<u>\$ 4,255,857</u>	<u>3,557,638</u>	<u>13,279,718</u>	<u>6,854,568</u>

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

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<u>Major products/services lines</u>				
Woodworking tools	\$ 313,145	849,870	1,271,580	1,616,647
Fitness equipment	3,825,452	2,643,950	11,749,171	5,070,947
Other	<u>117,260</u>	<u>63,818</u>	<u>258,967</u>	<u>166,974</u>
	<u><b>\$ 4,255,857</b></u>	<u><b>3,557,638</b></u>	<u><b>13,279,718</b></u>	<u><b>6,854,568</b></u>

(ii) Contract balances

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Contract liabilities	<u><b>\$ 37,563</b></u>	<u><b>27,454</b></u>	<u><b>38,252</b></u>

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

The amounts of revenue recognized for the three months and nine months ended September 30, 2021, December 31, 2020 and September 30, 2020, that were included in the contract liability balance at the beginning of the period were \$2,918 thousand, \$1,526 thousand, \$9,661 thousand and \$8,948 thousand, respectively.

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

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

The remunerations to employees amounted to \$16,572 thousand, \$16,838 thousand, \$53,680 thousand and \$31,383 thousand, respectively, for the three-months and nine-months ended September 30, 2021 and 2020. The remunerations to directors and supervisors amounted to \$3,314 thousand, \$3,368 thousand, \$10,736 thousand and \$6,277 thousand, respectively, for the three-months and nine-months ended September 30, 2021 and 2020. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Association. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2020 and 2019, the remunerations to employees amounted to \$55,693 thousand and \$80,500 thousand and the remunerations to directors and supervisors amounted to \$11,139 thousand and \$16,000 thousand, respectively. There were no differences between the estimated amounts and the actual remuneration paid, and the information is available on the Market Observation Post System website.

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

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

(i) Interest income

The details of interest income were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest income-bank deposits	\$ <u>296</u>	<u>525</u>	<u>1,508</u>	<u>3,745</u>

(ii) Other income

The details of other income were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Gains on write-off of accounts payable	\$ -	3,533	-	3,533
Dividend income	-	10,224	-	10,224
Other	<u>3,432</u>	<u>10,300</u>	<u>10,812</u>	<u>14,415</u>
	<b>\$ <u>3,432</u></b>	<b><u>24,057</u></b>	<b><u>10,812</u></b>	<b><u>28,172</u></b>

(iii) Other income and losses

The details of other income and losses were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net foreign exchange gain (losses)	\$ 12,262	(51,867)	(76,136)	(59,406)
Net losses on disposal of property, plant and equipment	(772)	(717)	(3,698)	(1,808)
(Losses) gains on measurement of financial assets measured at fair value through profit or loss	(317)	2,528	5,756	(157)
Other	<u>(56)</u>	<u>(29)</u>	<u>(163)</u>	<u>(216)</u>
	<b>\$ <u>11,117</u></b>	<b><u>(50,085)</u></b>	<b><u>(74,241)</u></b>	<b><u>(61,587)</u></b>

(iv) Finance expenses

The details of finance expenses were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expenses	\$ (2,788)	(2,163)	(6,961)	(10,456)
Less: capitalization of interest	<u>400</u>	<u>100</u>	<u>700</u>	<u>190</u>
	<b>\$ <u>(2,388)</u></b>	<b><u>(2,063)</u></b>	<b><u>(6,261)</u></b>	<b><u>(10,266)</u></b>

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

(x) **Financial Instruments**

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2020.

(i) **Credit risk**

1) **Concentration of credit risk**

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group reviewed the concentrations of credit risk arising from major customer at percentages below 64%、56% and 50%, respectively, of the total trade receivables. The other top five clients contributed no more than 22%, 37% and 43%, respectively, of the total receivables.

2) **Receivables and debt securities**

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

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2020.

(ii) **Liquidity risk**

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>September 30, 2021</b>						
<b>Non-derivative financial liabilities</b>						
Secured loans	\$ 529,767	530,034	66,934	117,768	345,332	-
Unsecured loans	440,650	449,293	449,293	-	-	-
Leased liabilities (current and non-current)	74,012	75,693	34,871	17,007	10,585	13,230
Payables	<u>5,411,250</u>	<u>5,411,250</u>	<u>5,411,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,455,679</u>	<u>6,466,270</u>	<u>5,962,348</u>	<u>134,775</u>	<u>355,917</u>	<u>13,230</u>

(Continued)

**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>						
<b>Non-derivative financial liabilities</b>						
Secured loans	\$ 365,360	372,623	61,166	1,388	310,069	-
Unsecured loans	352,339	356,690	330,283	26,407	-	-
Leased liabilities (current and non-current)	23,619	23,867	12,566	11,017	284	-
Payables	<u>4,595,266</u>	<u>4,595,266</u>	<u>4,595,266</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 5,336,584</b></u>	<u><b>5,348,446</b></u>	<u><b>4,999,281</b></u>	<u><b>38,812</b></u>	<u><b>310,353</b></u>	<u><b>-</b></u>
<b>September 30, 2020</b>						
<b>Non-derivative financial liabilities</b>						
Secured loans	\$ 334,038	339,525	27,719	1,388	310,418	-
Unsecured loanse	259,045	266,214	225,474	40,740	-	-
Leased liabilities (current and non-current)	2,493	2,545	1,411	1,134	-	-
Payables	<u>3,706,302</u>	<u>3,706,302</u>	<u>3,706,302</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 4,301,878</b></u>	<u><b>4,314,586</b></u>	<u><b>3,960,906</b></u>	<u><b>43,262</b></u>	<u><b>310,418</b></u>	<u><b>-</b></u>

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

(iii) Market risk

1) Currency risk

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

	<u>September 30, 2021</u>			<u>December 31, 2020</u>			<u>September 30, 2020</u>		
	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>NTD</u>
<b>Financial Assets</b>									
<u>Monetary items</u>									
USD	\$ 113,973	27.85	3,174,148	126,448	28.48	3,601,239	123,485	29.10	3,595,414
EUR	13	32.32	420	11	35.02	385	9	34.15	307
JPY	193,011	0.249	48,060	163,851	0.276	45,272	152,186	0.2756	41,942
GBP	5	37.46	187	5	38.9	195	5	37.3	187
RMB	-	4.305	-	32	4.337	140	95	4.269	406
<b>Financial Liabilities</b>									
<u>Monetary items</u>									
USD	14,712	27.85	409,729	30,387	28.48	895,422	29,838	29.10	868,286
EUR	783	32.32	25,307	225	35.02	7,880	336	34.15	11,474

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

A strengthening or weakening of 1% of the NTD against the USD, EUR, JPY, GBP and RMB as at September 30, 2021 and 2020, would have increased or decreased the net profit after tax by \$22,302 thousand and \$22,051 thousand, respectively, with all other variables remaining constant. The analysis is performed on the same basis for September 30, 2021 and 2020.

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the nine months ended September 30, 2021 and 2020, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to (76,136) thousand and (59,406) thousand, respectively.

2) Interest rate analysis

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

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

If the interest rate had increased or decreased by 1%, the Group's net income would have decreased or increased by \$5,823 thousand and \$4,745 thousand for the nine months ended September 30, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowings at variable rates.

3) Other market price risk

For the nine months ended September 30, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for profit or loss as illustrated below:

<u>Prices of securities at the reporting date</u>	<b>For the nine months ended September 30</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Other comprehensive income after tax</b>	<b>Net income</b>	<b>Other comprehensive income after tax</b>	<b>Net income</b>
Increasing 1%	\$ <b>401</b>	<b>25</b>	<b>1,914</b>	<b>116</b>
Decreasing 1%	\$ <b>(401)</b>	<b>(25)</b>	<b>(1,914)</b>	<b>(116)</b>

(vi) Fair value of financial instruments

1) Fair value hierarchy

The measurement basis of the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is repetitive. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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<b>September 30, 2021</b>					
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Designated at fair value through profit or loss	\$ 2,471	2,375	-	96	2,471
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks in listed companies	40,085	40,085	-	-	40,085
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,684,669	-	-	-	-
Notes and trade receivables, and other receivables (including receivables from related parties)	1,907,544	-	-	-	-
Guarantee deposits paid	8,219	-	-	-	-
	<u>\$ 4,642,988</u>	<u>42,460</u>	<u>-</u>	<u>96</u>	<u>42,556</u>
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 472,267	-	-	-	-
Notes and trade payables, and other payables (including payables to related parties)	5,411,250	-	-	-	-
Long-term borrowings due in 1 year	38,150	-	-	-	-
Loan-term borrowings	460,000	-	-	-	-
Lease liabilities	74,012	-	-	-	-
	<u>\$ 6,455,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2020</b>					
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Designated at fair value through profit or loss	\$ 18,470	18,374	-	96	18,470
<b>Financial assets at fair value through other comprehensive income</b>					
Stocks in listed companies	36,176	36,176	-	-	36,176
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,613,129	-	-	-	-
Notes and trade receivables, and other receivables (including receivables from related parties)	2,390,458	-	-	-	-
Guarantee deposits paid	4,403	-	-	-	-
	<u>\$ 5,062,636</u>	<u>54,550</u>	<u>-</u>	<u>96</u>	<u>54,646</u>

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

3) Valuation techniques for financial instruments measured at fair value

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

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

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

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

4) Transfers between Level 1 and Level 2

There were no transfers in the nine months ended September 30, 2021 and 2020.

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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(y) **Financial risk management**

There were no significant changes in the Group's financial risk management and policies as those disclosed in Note (6)(z) of the consolidated financial statements for the year ended December 31, 2020.

(z) **Capital management**

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

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

The Group and other entities in the similar industry use the debt-to-equity ratio to manage capital. This ratio uses the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest, plus, net debt.

As of September 30, 2021, the Group's capital management strategy is consistent with the prior year as of December 31, 2020 and prior period as of September 30, 2020. The Group's debt to equity ratio as of September 30, 2021, December 31, 2020 and September 30, 2020, were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Total liabilities	\$ 6,897,106	5,779,955	4,648,871
Less: cash and cash equivalents	<u>(2,684,669)</u>	<u>(2,613,129)</u>	<u>(1,476,124)</u>
Net debt	4,212,437	3,166,826	3,172,747
Total equity	<u>3,915,794</u>	<u>3,761,193</u>	<u>3,353,464</u>
Total capital	<u>\$ 8,128,231</u>	<u>6,928,019</u>	<u>6,526,211</u>
Debt to equity ratio	<u>52%</u>	<u>46%</u>	<u>49%</u>

As of September 30, 2021, the increase in debt-to-equity ratio was mainly due to the substantial increase in revenue during the current period, hence, the relative increase in purchases from suppliers has led to an increase in the amount of account payable.

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

(aa) Financing activities not affecting the current cash flow

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

	January 1, 2021	Cash flows	Non-cash changes			September 30, 2021
			Acquisition	Foreign exchange movement	Fair value changes	
Long-term borrowings	\$ 380,739	116,876	-	535	-	498,150
Short-term borrowings	336,960	131,499	-	3,808	-	472,267
Lease liabilities	23,619	(20,239)	70,632	-	-	74,012
Total liabilities from financing	<u>\$ 741,318</u>	<u>228,136</u>	<u>70,632</u>	<u>4,343</u>	<u>-</u>	<u>1,044,429</u>

	January 1, 2020	Cash flows	Non-cash changes			September 30, 2020
			Acquisition	Foreign exchange movement	Fair value changes	
Long-term borrowings	\$ 133,928	263,578	-	(3,261)	-	394,245
Short-term borrowings	642,842	(441,111)	-	(2,893)	-	198,838
Lease liabilities	3,155	(990)	328	-	-	2,493
Total liabilities from financing	<u>\$ 779,925</u>	<u>(178,523)</u>	<u>328</u>	<u>(6,154)</u>	<u>-</u>	<u>595,576</u>

**(7) Related-Party Transactions:**

(a) Name and relationship with related party

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

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

(b) Significant related-party transactions

(i) Sales of goods to related party

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

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	2021	2020
Associates				
– Fine Clear Co., Ltd	<u>\$ 17,162</u>	<u>6,463</u>	<u>31,567</u>	<u>19,326</u>

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

(Continued)

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

ii) Receivables from related-parties

<u>Account</u>	<u>Related-party type</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	Associates – Fine Clear Co., Ltd	\$ 17,640	6,334	9,365
Accounts receivable	Associates – Fine Clear Co., Ltd	10,288	3,352	441
		<u>\$ 27,928</u>	<u>9,686</u>	<u>9,806</u>

iii) Payables to related-parties

<u>Account</u>	<u>Related-party type</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes payable	Associates – Fine Clear Co., Ltd	\$ 2,617	843	866
Other payables	Associates – Fine Clear Co., Ltd	977	461	243
		<u>\$ 3,594</u>	<u>1,304</u>	<u>1,109</u>

(c) Key management personnel compensation

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 28,702	52,714	42,609	62,346
Post-employment benefits	425	232	945	697
Termination benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 29,127</u>	<u>52,946</u>	<u>43,554</u>	<u>63,043</u>

**(8) Pledged Assets:**

The carrying amounts of pledged assets were as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Land	Guarantee for bank loans	\$ 296,916	296,442	296,442
Buildings	Guarantee for bank loans	863,475	888,340	883,733
		<u>\$ 1,160,391</u>	<u>1,184,782</u>	<u>1,180,175</u>

**(9) Significant Commitments and Contingencies:**

The Group's unrecognized contractual commitments are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Acquisition of property, plant and equipment	<u>\$ 462,750</u>	<u>41,151</u>	<u>40,210</u>

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

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Others:**

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

By function	For the three months ended September 30					
	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
<b>By item</b>						
Employee benefits						
Salary	249,510	88,030	337,540	192,684	59,459	252,143
Labor and health insurance	21,475	6,398	27,873	10,620	4,909	15,529
Pension	9,318	3,077	12,395	5,028	2,308	7,336
Others	5,054	612	5,666	3,647	487	4,134
Depreciation	61,296	8,942	70,238	34,733	6,560	41,293
Amortization	620	3,117	3,737	571	2,213	2,784

By function	For the nine months ended September 30					
	2021			2020		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
<b>By item</b>						
Employee benefits						
Salary	716,792	222,258	939,050	413,281	170,569	583,850
Labor and health insurance	59,551	17,203	76,754	28,455	14,662	43,117
Pension	25,893	8,406	34,299	13,910	7,180	21,090
Others	13,890	1,740	15,630	8,020	1,190	9,210
Depreciation	162,200	24,231	186,431	100,371	19,312	119,683
Amortization	1,844	8,945	10,789	1,632	6,992	8,624

(b) Seasonality of operations

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

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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**(13) Other Disclosures:**

## (a) Information on Significant Transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2021:

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

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 2)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 3)										
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	2	1,555,683	(USD7,000) 199,780	(USD5,000) 139,250	(USD5,000) 139,250	-	3.580 %	1,555,683	Y	N	Y

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

Note2 : No.0 represents the parent company.

Note3 : Relationship with the Company :

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

## (iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(Amounts in Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Notes
				Shares/Units (thousand)	Carrying amount	Percentage of ownership (%)	Fair value	
REXON INDUSTRIAL CORP., LTD.	Stock –Johnson Health Tech		Financial assets at fair value through profit or loss-current	12	774	- %	774	
REXON INDUSTRIAL CORP., LTD.	Stock –EVA Airways Corp.		Financial assets at fair value through profit or loss-current	85	1,601	- %	1,601	
REXON INDUSTRIAL CORP., LTD.	Stock-Hwa Chung Venture Capital Corp.		Financial assets at fair value through profit or loss-current	10	96	- %	96	
<b>Subtotal</b>					<b>2,471</b>		<b>2,471</b>	
REXON INDUSTRIAL CORP., LTD	Stock-Falcon Machine Tools Co.,LTD		Financial assets at fair value through other comprehensive income-current	3,299	40,085	4.29 %	40,085	
<b>Subtotal</b>					<b>40,085</b>		<b>40,085</b>	

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

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

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

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationship	Transaction details			Abnormal Transactions		Notes/Accounts receivable (payable)		Note
			Item	Amount	Percentage of the purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	
REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexion	Subsidiary	Purchase	734,718	6 %	90~150Days	Note 1	Note 2	(89,838)	(1.9)%

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

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

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

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tongxiang Rexion	REXON INDUSTRIAL CORP., LTD.	Parent company	Account receivable 89,838	4.3%	-	-	The recovery amount as of October 21, 2021 : 82,404	-

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

- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the nine months ended September 30, 2021:

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter Party	Relationship (Note 2)	Intercompany transactions			
				Account	Amount	Terms	Percentage of the consolidated net revenue or total assets
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexion	1	Purchases	734,718	The sales prices and payment terms were by agreement	5.53%
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexion	1	Accounts payable	89,838	The sales prices and payment terms were by agreement	0.83%
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexion	1	Other receivable	7,990	The sales prices and payment terms were by agreement	0.07%
0	REXON INDUSTRIAL CORP., LTD.	Rexion Technology Corp., Ltd.	1	Purchases	354,912	The sales prices and payment terms were by agreement	2.67%
0	REXON INDUSTRIAL CORP., LTD.	Rexion Technology Corp., Ltd.	1	Accounts payable	90,610	The sales prices and payment terms were by agreement	0.84%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Service fee	31,525	The sales prices and payment terms were by agreement	0.24%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Other payable	86,637	The sales prices and payment terms were by agreement	0.8%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Account receivable	4,350	The sales prices and payment terms were by agreement	0.04%
0	REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	1	Sales	4,317	The sales prices and payment terms were by agreement	0.03%

Note 1: Company numbering as follows:

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

(Continued)



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

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

- 1) Parent company to subsidiary—1
- 2) Subsidiary to parent company—2
- 3) Subsidiary to subsidiary—3

(b) Information on Investees:

The followings are the information on investees for the nine months ended September 30, 2021:

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2021	December 31, 2020	Shares (thousands)	Percentage	Carrying value			
REXON INDUSTRIAL CORP., LTD.	Fine Clear Co.,Ltd	R.O.C	Buying and selling accessories	14,197	14,197	1,600	16.00 %	16,623	2,682	429	Investment Using Equity Method (Note 1)
REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd. (Rexon Tech)	R.O.C	Manufacture and sale of electric components	293,741	291,106	7,851	82.87 %	102,029	22,929	19,002	Direct subsidiaries of the Company (Note 1)
REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	U.S.A	Merchandise trading	196,465	196,465	0.1	96.00 %	156,304	9,368	8,993	Direct subsidiaries of the Company (Note 1)
REXON INDUSTRIAL CORP., LTD.	Gold Item Group Ltd.	British Virgin Islands	Investing and holding	747,858	747,858	US\$ 25,000 (Note 2)	100.00 %	707,281	(86,959)	(86,959)	Direct subsidiaries of the Company
Gold Item	Gold Tech Group Ltd.	Hong Kong	Investing and holding	US\$ 25,000	US\$ 25,000	US\$ 25,000 (Note 2)	100.00 %	686,912	(86,959)	(86,959)	Direct subsidiaries of Gold Item
Rexon Technology Corp., Ltd.	Rexon Technology Ltd.(Brunei)	Brunei	Investing	-	24,151	US\$ -	- %	-	-	-	(Note 3)

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

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

Note3 : Rexon Technology Ltd. (Brunei) has been liquidated in March, 2021.

(c) Information on Investment in Mainland China:

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

a) The Company

(Amounts in Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of September 30, 2021	Accumulated remittance of earnings as of September 30, 2021
					Outflow	Inflow						
Tongxiang Rexon	Manufacture of drills, woodworking tools and fitness equipment	RMB 154,465 USD 25,000	Note 1	USD 25,000 NTD 745,565	-	-	USD 25,000 NTD 745,565	(86,959)	100.00%	(86,959)	686,912	-

b) Rexon Technology Corp., Ltd.

(Amounts in Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of September 30, 2021	Accumulated remittance of earnings as of September 30, 2021
					Outflow	Inflow						
Rexon Technology Ltd. (Shanghai)	Manufacture and sale of radio communication equipment	RMB 5,792 NTD 24,192	Note 2	USD 700 NTD 22,820	-	-	-	-	-%	-	-	-

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

Note 2 : Rexon Technology Ltd. (Shanghai) has been liquidated in March, 2021.

(Continued)

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

(ii) Upper limit on investment in Mainland China:

The Company

(Amounts in Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$25,000 (NT\$745,565)	US\$25,000 (NT\$745,565)	2,333,524

(iii) Significant transactions:

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

(d) Major shareholders:

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

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

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

**(14) Segment Information:**

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