

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

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2023 and 2022**

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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 Rexon Industrial Corp., Ltd.:

### Introduction

We have reviewed the accompanying consolidated statements of financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, 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 the Standards on Review Engagements 2410, "Review of Interim 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 procedure. 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\$184,183 thousand and NT\$228,753 thousand, both constituting 3% of consolidated total assets as of June 30, 2023 and 2022, respectively, total liabilities amounting to NT\$33,509 thousand and NT\$48,669 thousand, both constituting 1% of consolidated total liabilities at June 30, 2023 and 2022, respectively, and total comprehensive income(loss) amounting to NT\$(15,011) thousand, NT\$(20,218) thousand, NT\$(27,992) thousand and NT\$(48,357) thousand, constituting (1,149)%, (22)%, (37)% and (39)% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Rexon Industrial Corp., Ltd. and its subsidiaries in its investee company of NT\$16,434 thousand and NT\$16,525 thousand as of June 30, 2023 and 2022, respectively, and its equity in net earnings on this investee company of NT\$(5) thousand, NT\$(194) thousand, NT\$14 thousand and NT\$(187) thousand for the three months and six months ended June 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 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 Tsu-Hsin Chang.

KPMG

Taipei, Taiwan (Republic of China)  
August 8, 2023

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

**Consolidated Statements of Financial Position**

**June 30, 2023, December 31, 2022, and June 30, 2022**

(Expressed in thousands of New Taiwan Dollar)

		<b>June 30, 2023</b>		<b>December 31, 2022</b>		<b>June 30, 2022</b>				<b>June 30, 2023</b>		<b>December 31, 2022</b>		<b>June 30, 2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>															
<b>Current assets:</b>															
1100	Cash and cash equivalents (note 6(a))	\$ 1,637,299	23	1,970,759	25	2,208,016	26	2100	Short-term borrowings (note 6(j) and 8)	\$ 760,334	11	801,417	10	829,524	10
1110	Current financial assets at fair value through profit or loss	96	-	96	-	96	-	2130	Current contract liabilities (note 6(s))	70,300	1	38,713	-	539,636	6
1150	Notes receivable, net (note 6(b))	42	-	287	-	1,432	-	2150	Notes payable	175,638	2	436,108	6	153,732	2
1160	Notes receivable due from related parties, net (note 6(b) and 7)	5,154	-	31,722	-	16,102	-	2160	Notes payable to related parties (note 7)	24	-	94	-	10	-
1170	Accounts receivable, net (note 6(b))	608,122	9	737,714	10	689,143	8	2170	Accounts payable	658,828	9	607,955	8	632,274	8
1180	Accounts receivable due from related parties, net (note 6(b) and 7)	4,832	-	8,794	-	15,474	-	2216	Dividends payable (note 6(q))	-	-	-	-	544,420	7
1200	Other receivables, net (note 6(c))	2,555	-	277	-	3,685	-	2200	Other payables	571,576	8	595,537	8	650,803	8
1220	Current tax assets	19,115	-	18,332	-	56,886	1	2220	Other payables to related parties (note 7)	-	-	6	-	4	-
130X	Inventories (note 6(d))	558,050	8	582,816	8	1,260,219	15	2230	Current tax liabilities	1,053	-	-	-	-	-
1479	Other current assets (note 6(i))	93,042	1	88,463	1	89,874	1	2250	Current provisions (note 6(n))	160,486	2	201,389	3	180,724	2
		<u>2,928,307</u>	<u>41</u>	<u>3,439,260</u>	<u>44</u>	<u>4,340,927</u>	<u>51</u>	2280	Current lease liabilities (note 6(m))	8,731	-	10,501	-	17,421	-
								2320	Long-term borrowing, current portion (note 6(l) and 8)	535,666	8	413,033	5	275,000	3
								2399	Other current liabilities (note 6(k))	<u>342,315</u>	<u>5</u>	<u>477,632</u>	<u>6</u>	<u>192,591</u>	<u>2</u>
										<u>3,284,951</u>	<u>46</u>	<u>3,582,385</u>	<u>46</u>	<u>4,016,139</u>	<u>48</u>
<b>Non-current assets:</b>															
1550	Investments accounted for using equity method, net (note 6(e))	16,434	-	16,420	-	16,525	-	2540	Long-term borrowings (note 6(l) and 8)	400,829	6	637,554	9	822,500	10
1600	Property, plant and equipment (note 6(f) and 8)	3,611,363	51	3,119,127	40	3,207,199	38	2570	Deferred tax liabilities	-	-	-	-	6,491	-
1755	Right-of-use assets (note 6(g))	81,303	1	88,796	1	98,141	1	2580	Non-current lease liabilities (note 6(m))	<u>20,875</u>	<u>-</u>	<u>24,691</u>	<u>-</u>	<u>26,206</u>	<u>-</u>
1780	Intangible assets (note 6(h))	66,884	1	66,904	1	71,645	1		<b>Total liabilities</b>	<u>421,704</u>	<u>6</u>	<u>662,245</u>	<u>9</u>	<u>855,197</u>	<u>10</u>
1840	Deferred tax assets	170,602	2	167,970	2	75,386	1		<b>Equity attributable to owners of parent: (note 6(q))</b>	<u>3,706,655</u>	<u>52</u>	<u>4,244,630</u>	<u>55</u>	<u>4,871,336</u>	<u>58</u>
1920	Guarantee deposits paid	2,680	-	1,926	-	6,476	-	3100	Ordinary shares	1,814,735	25	1,814,735	24	1,814,735	22
1975	Net defined benefit asset, non-current	204,850	3	206,005	3	109,590	2	3200	Capital surplus	586	-	586	-	586	-
1990	Other non-current assets (note 6(i))	<u>57,716</u>	<u>1</u>	<u>647,549</u>	<u>9</u>	<u>530,261</u>	<u>6</u>	3300	Retained earnings	1,745,464	25	1,812,259	23	1,889,093	22
		4,211,832	59	4,314,697	56	4,115,223	49	3400	Other equity	<u>(153,987)</u>	<u>(2)</u>	<u>(143,923)</u>	<u>(2)</u>	<u>(144,817)</u>	<u>(2)</u>
									<b>Total equity attributable to owners of parent:</b>	<u>3,406,798</u>	<u>48</u>	<u>3,483,657</u>	<u>45</u>	<u>3,559,597</u>	<u>42</u>
								36XX	<b>Non-controlling interests</b>	<u>26,686</u>	<u>-</u>	<u>25,670</u>	<u>-</u>	<u>25,217</u>	<u>-</u>
									<b>Total equity</b>	<u>3,433,484</u>	<u>48</u>	<u>3,509,327</u>	<u>45</u>	<u>3,584,814</u>	<u>42</u>
									<b>Total liabilities and equity</b>	<u>\$ 7,140,139</u>	<u>100</u>	<u>7,753,957</u>	<u>100</u>	<u>8,456,150</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the six months ended June 30, 2023 and 2022**  
**(Expressed in thousands of New Taiwan Dollar , except for earnings per Share)**

	For the three months ended June 30				For the six months ended June 30				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue, net (note 6(s) and 7)	\$ 1,022,151	100	944,246	100	1,610,844	100	2,579,091	100
5000	Operating costs (note 6(d) and (o))	915,946	90	921,328	98	1,466,520	91	2,471,307	96
	<b>Gross profit from operations</b>	<u>106,205</u>	<u>10</u>	<u>22,918</u>	<u>2</u>	<u>144,324</u>	<u>9</u>	<u>107,784</u>	<u>4</u>
6000	<b>Operating expenses (note 6(o)):</b>								
6100	Selling expenses	41,521	4	62,403	7	83,781	5	134,580	5
6200	Administrative expenses	45,424	4	50,802	5	86,652	6	97,939	4
6300	Research and development expenses	35,946	4	37,487	4	68,313	4	78,846	3
		<u>122,891</u>	<u>12</u>	<u>150,692</u>	<u>16</u>	<u>238,746</u>	<u>15</u>	<u>311,365</u>	<u>12</u>
	<b>Net operating loss</b>	<u>(16,686)</u>	<u>(2)</u>	<u>(127,774)</u>	<u>(14)</u>	<u>(94,422)</u>	<u>(6)</u>	<u>(203,581)</u>	<u>(8)</u>
7000	<b>Non-operating income and expenses:</b>								
7100	Interest income (note 6(u))	7,053	1	894	-	7,591	-	1,149	-
7010	Other income (note 6(u))	11,331	1	3,472	-	25,201	2	7,739	-
7020	Other gains and losses, net (note 6(u))	20,807	2	8,891	1	(997)	-	20,221	1
7050	Finance costs, net (note 6(m) and (u))	(8,734)	(1)	(4,622)	-	(16,090)	(1)	(9,069)	-
7060	Share of profit of associates accounted for using equity method (note 6(e))	(5)	-	(194)	-	14	-	(187)	-
		<u>30,452</u>	<u>3</u>	<u>8,441</u>	<u>1</u>	<u>15,719</u>	<u>1</u>	<u>19,853</u>	<u>1</u>
7900	<b>Profit (loss) before income tax</b>	13,766	1	(119,333)	(13)	(78,703)	(5)	(183,728)	(7)
7950	Income tax expense (benefit) (note 6(p))	3,385	-	(30,989)	(3)	(12,844)	(1)	(43,813)	(1)
8200	<b>Profit (loss)</b>	<u>10,381</u>	<u>1</u>	<u>(88,344)</u>	<u>(10)</u>	<u>(65,859)</u>	<u>(4)</u>	<u>(139,915)</u>	<u>(6)</u>
8300	<b>Other comprehensive income (loss):</b>								
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>								
8361	Exchange differences on translation (note 6(q))	(14,640)	(1)	(6,779)	-	(12,500)	(1)	23,337	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(p))	2,953	-	1,397	-	2,516	-	(4,591)	-
8300	<b>Other comprehensive income (after tax)</b>	<u>(11,687)</u>	<u>(1)</u>	<u>(5,382)</u>	<u>-</u>	<u>(9,984)</u>	<u>(1)</u>	<u>18,746</u>	<u>1</u>
8500	<b>Comprehensive income</b>	<u>\$ (1,306)</u>	<u>-</u>	<u>(93,726)</u>	<u>(10)</u>	<u>(75,843)</u>	<u>(5)</u>	<u>(121,169)</u>	<u>(5)</u>
	<b>Profit (loss) attributable to:</b>								
8610	Owners of parent	\$ 9,325	1	(88,142)	(10)	(66,795)	(4)	(139,437)	(6)
8620	Non-controlling interests	1,056	-	(202)	-	936	-	(478)	-
		<u>\$ 10,381</u>	<u>1</u>	<u>(88,344)</u>	<u>(10)</u>	<u>(65,859)</u>	<u>(4)</u>	<u>(139,915)</u>	<u>(6)</u>
	<b>Comprehensive income attributable to:</b>								
8710	Owners of parent	\$ (2,489)	-	(93,729)	(10)	(76,859)	(5)	(121,072)	(5)
8720	Non-controlling interests	1,183	-	3	-	1,016	-	(97)	-
		<u>\$ (1,306)</u>	<u>-</u>	<u>(93,726)</u>	<u>(10)</u>	<u>(75,843)</u>	<u>(5)</u>	<u>(121,169)</u>	<u>(5)</u>
	<b>Earnings (loss) per share (NT dollars) (note 6 (r))</b>								
9750	<b>Basic earnings (loss) per share</b>	<u>\$ 0.05</u>		<u>(0.49)</u>		<u>(0.37)</u>		<u>(0.77)</u>	
9850	<b>Diluted earnings (loss) per share</b>	<u>\$ 0.05</u>		<u>(0.49)</u>		<u>(0.37)</u>		<u>(0.77)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the six months ended June 30, 2023 and 2022**  
**(expressed in thousands of New Taiwan Dollar)**

Equity attributable to owners of parent

	Share capital		Retained earnings				Other equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total other equity interest			
<b>Balance at January 1, 2022</b>	\$ 1,814,735	586	363,103	177,226	2,032,621	2,572,950	(163,182)	(163,182)	4,225,089	25,314	4,250,403
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	112,820	-	(112,820)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(544,420)	(544,420)	-	-	(544,420)	-	(544,420)
Reversal of special reserve	-	-	-	(14,044)	14,044	-	-	-	-	-	-
	-	-	112,820	(14,044)	(643,196)	(544,420)	-	-	(544,420)	-	(544,420)
Loss for the period	-	-	-	-	(139,437)	(139,437)	-	-	(139,437)	(478)	(139,915)
Other comprehensive income for the period	-	-	-	-	-	-	18,365	18,365	18,365	381	18,746
Comprehensive income	-	-	-	-	(139,437)	(139,437)	18,365	18,365	(121,072)	(97)	(121,169)
<b>Balance at June 30, 2022</b>	<u>\$ 1,814,735</u>	<u>586</u>	<u>475,923</u>	<u>163,182</u>	<u>1,249,988</u>	<u>1,889,093</u>	<u>(144,817)</u>	<u>(144,817)</u>	<u>3,559,597</u>	<u>25,217</u>	<u>3,584,814</u>
<b>Balance at January 1, 2023</b>	\$ 1,814,735	586	475,923	163,182	1,173,154	1,812,259	(143,923)	(143,923)	3,483,657	25,670	3,509,327
Loss for the period	-	-	-	-	(66,795)	(66,795)	-	-	(66,795)	936	(65,859)
Other comprehensive income for the period	-	-	-	-	-	-	(10,064)	(10,064)	(10,064)	80	(9,984)
Comprehensive income	-	-	-	-	(66,795)	(66,795)	(10,064)	(10,064)	(76,859)	1,016	(75,843)
<b>Balance at June 30, 2023</b>	<u>\$ 1,814,735</u>	<u>586</u>	<u>475,923</u>	<u>163,182</u>	<u>1,106,359</u>	<u>1,745,464</u>	<u>(153,987)</u>	<u>(153,987)</u>	<u>3,406,798</u>	<u>26,686</u>	<u>3,433,484</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2023 and 2022**  
**(Expressed in thousands of New Taiwan Dollar)**

	For the six months ended June 30	
	2023	2022
<b>Cash flows from operating activities:</b>		
<b>Loss before tax</b>	\$ (78,703)	(183,728)
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expenses	176,804	173,687
Amortization expenses	10,600	8,226
Interest expenses	16,090	9,069
Interest income	(7,591)	(1,149)
Shares of profit of associates accounted for using equity method	(14)	187
Losses on disposal of property, plant and equipment	2,436	1,833
Gain on disposal of non-current assets classified as held for sale	-	(40)
Total adjustments to reconcile profit	<u>198,325</u>	<u>191,813</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in notes receivable	245	844
Decrease in notes receivable due from related parties	26,568	11,441
Decrease in accounts receivable	129,592	1,027,970
Decrease (increase) in accounts receivable due from related parties	3,962	(4,396)
Increase in other receivables	(2,278)	(3,545)
Decrease in inventories	24,766	715,056
(Increase) decrease in other current assets	(4,579)	119,866
Decrease (increase) in net defined benefit assets	1,155	(18,925)
Decrease in other operating assets	937	997
Total changes in operating assets	<u>180,368</u>	<u>1,849,308</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in contract liabilities	31,587	(3,519)
Decrease in notes payable	(260,470)	(1,237,736)
Decrease in notes payable to related parties	(70)	(3,789)
Increase (decrease) in accounts payable	50,873	(2,877,411)
Decrease in other payable	(25,388)	(65,054)
Decrease in other payable to related parties	(6)	(13)
(Decrease) increase in other current liabilities	(176,220)	54,462
Total changes in operating liabilities	<u>(379,694)</u>	<u>(4,133,060)</u>
Total changes in operating assets and liabilities	<u>(199,326)</u>	<u>(2,283,752)</u>
Total adjustments	<u>(1,001)</u>	<u>(2,091,939)</u>
Cash outflow generated from operations	(79,704)	(2,275,667)
Interest received	7,591	1,149
Interest paid	(16,055)	(8,913)
Income taxes refund	12,998	(194,600)
<b>Net cash flows used in operating activities</b>	<u>(75,170)</u>	<u>(2,478,031)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(63,931)	(80,436)
Proceeds from disposal of property, plant and equipment	1,997	3,479
(Increase) decrease in refundable deposits	(754)	2,577
Acquisition of intangible assets	(10,611)	(17,411)
Increase in prepayments for business facilities	(25,634)	(225,003)
<b>Net cash flows used in investing activities</b>	<u>(98,933)</u>	<u>(316,794)</u>
<b>Cash flows used in financing activities:</b>		
Increase in short-term borrowings	1,300,000	1,468,815
Decrease in short-term borrowings	(1,339,733)	(1,443,316)
Increase from long-term borrowings	51,715	500,000
Repayments of long-term borrowings	(166,667)	(89,958)
Payment of lease liabilities	(5,944)	(17,594)
<b>Net cash flows from (used in) financing activities</b>	<u>(160,629)</u>	<u>417,947</u>
Effect of exchange rate changes on cash and cash equivalents	1,272	10,175
<b>Net decrease in cash and cash equivalents</b>	<u>(333,460)</u>	<u>(2,366,703)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>1,970,759</u>	<u>4,574,719</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,637,299</u>	<u>2,208,016</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 2023 and 2022**

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

**(1) Company history**

Rexon Industrial Corp., Ltd. (the “Company”) was incorporated on April 30, 1973 and registered under the Ministry of Economic Affairs, R.O.C. The address of the company’s registered office is No.261, Renhua Rd., Dali Dist., Taichung City 412, and Taiwan (R.O.C.). The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) on February 4, 1995. The company’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) Approval date and procedures of the consolidated financial statements**

These consolidated financial statements for the six Months ended June 30, 2023 and 2022 were authorized for issuance by the Board of Directors on August 8, 2023 .

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

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

(Continued)

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

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments <sup>1</sup> , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.  Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	The amendments require the company to disclose information about its supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the company’s liabilities and cash flows and on the company’s exposure to liquidity risk.	January 1, 2024

(Continued)

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

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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

**(4) Summary of 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, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

**(b) Basis of consolidation**

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Power Tool Specialists Inc. (P.T.S.)	Merchandise trading	96 %	96 %	96 %	Note 1
The Company	Gold Item Group Ltd.(Gold Item)	Investing and holding	100 %	100 %	100 %	
The Company	Rexon Technology Corp., Ltd. (Rexon Tech)	Manufacture and sale of electric components	82.87 %	82.87 %	82.87 %	Note 1
Gold Item	Gold Tech Group Ltd.	Investing and holding	100 %	100 %	100 %	
Gold Tech Group Ltd.	Tongxiang Rexon Industrial Co.,Ltd.(Tongxiang Rexon)	Manufacture of drills, woodworking tools and fitness equipment	100 %	100 %	100 %	

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

(Continued)

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

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

**(c) 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.

**(d) 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.

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

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, 2022.

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

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

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

(Continued)

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

**(6) Explanation of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note 6 of the 2022 annual consolidated financial statements.

**(a) Cash and cash equivalents**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Petty cash and cash on hand	\$ 1,614	1,651	1,235
Checking and demand deposits	1,627,121	1,969,108	2,206,781
Time deposits	<u>8,564</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><b>\$ 1,637,299</b></u>	<u><b>1,970,759</b></u>	<u><b>2,208,016</b></u>

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Notes receivable from operating activities	\$ 42	287	1,432
Notes receivable from operating activities-related parties	5,154	31,722	16,102
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 5,196</b></u>	<u><b>32,009</b></u>	<u><b>17,534</b></u>
Accounts receivable-measured at amortized cost	\$ 609,725	739,317	690,746
Accounts receivable from related parties-measured at amortized cost	4,832	8,794	15,474
Less: Loss allowance	<u>(1,603)</u>	<u>(1,603)</u>	<u>(1,603)</u>
	<u><b>\$ 612,954</b></u>	<u><b>746,508</b></u>	<u><b>704,617</b></u>

- (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:

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

	<b>June 30, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 499,490	0.04%	190
1 to 90 days past due	118,933	0.48%	573
91 to 180 days past due	1,330	63.20%	840
181 to 360 days past due	-	-	-
Over 360 days past due	-	-	-
Total	<b>\$ 619,753</b>		<b>1,603</b>
	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 645,894	0.04%	273
1 to 90 days past due	134,225	0.99%	1,329
91 to 180 days past due	-	-	-
181 to 360 days past due	-	-	-
Over 360 days past due	1	100%	1
Total	<b>\$ 780,120</b>		<b>1,603</b>
	<b>June 30, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 624,065	0.04%	254
1 to 90 days past due	95,601	0.13%	127
91 to 180 days past due	4,087	29.89%	1,221
181 to 360 days past due	-	-	-
Over 360 days past due	1	100%	1
Total	<b>\$ 723,754</b>		<b>1,603</b>

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

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 1,603	1,603
(which is balance at June 30)		

(iii) None of the receivables was pledged as collateral as of June 30, 2023, December 31, 2022 and June 30, 2022.

(Continued)

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

(c) **Other receivables**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Other receivables	\$ 13,802	11,524	14,932
Less: Loss allowance	<u>(11,247)</u>	<u>(11,247)</u>	<u>(11,247)</u>
	<b><u>\$ 2,555</u></b>	<b><u>277</u></b>	<b><u>3,685</u></b>

(i) As of June 30, 2023, December 31, 2022 and June 30, 2022, there are no other receivables which are past due but not impaired.

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

	<b>2023</b>	<b>2022</b>
Balance on January 1 (which is balance at June 30)	\$ <u>11,247</u>	<u>11,247</u>

(d) **Inventories**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Finished goods	\$ 189,480	156,348	361,070
Work in progress	51,438	52,493	177,087
Materials	133,308	163,768	200,367
Parts	177,997	204,873	509,847
Merchandise	<u>5,827</u>	<u>5,334</u>	<u>11,848</u>
	<b><u>\$ 558,050</u></b>	<b><u>582,816</u></b>	<b><u>1,260,219</u></b>

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Inventory scrap loss	\$ 2,410	520	2,550	2,995
Inventory shortage	15	-	15	-
Revenue from sale of scraps	<u>(11,630)</u>	<u>(837)</u>	<u>(13,208)</u>	<u>(1,730)</u>
	<b><u>\$ (9,205)</u></b>	<b><u>(317)</u></b>	<b><u>(10,643)</u></b>	<b><u>1,265</u></b>

As of June 30, 2023, December 31, 2022 and June 30, 2022, inventories were not pledged as collateral.

(Continued)

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

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

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Associates	\$ <u>16,434</u>	<u>16,420</u>	<u>16,525</u>

(i) Associates

Affiliated company's information:

<b>Name of Associates</b>	<b>Nature of relationship with the Group</b>	<b>Main operating location/ Registered Country of the Company</b>	<b>Proportion of shareholding and voting rights</b>		
			<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Fine Clear Corp., Ltd.	Sale of pneumatic nail gun and accessories, which is the Group's investment	Taiwan	16 %	16 %	16 %

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>	
Carrying amount of individually insignificant associates' equity	\$ <u>16,434</u>	<u>16,420</u>	<u>16,525</u>	
	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Attributable to the Group:				
Profit from continuing operations	\$ (5)	(194)	14	(187)
Other comprehensive income	-	-	-	-
Comprehensive income	\$ <u>(5)</u>	<u>(194)</u>	<u>14</u>	<u>(187)</u>

(ii) As of June 30, 2023, December 31, 2022 and June 30, 2022, 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**

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

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the six months ended June 30, 2023, December 31, 2022 and June 30, 2022, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Mold and tooling equipment</u>	<u>Office equipment and other facilities</u>	<u>Total</u>
<b>Cost or deemed cost:</b>						
Balance on January 1, 2023	\$ 1,141,147	2,236,235	845,703	857,009	166,666	5,246,760
Additions	-	40,725	3,473	20,658	467	65,323
Disposal	-	-	(3,155)	(11,702)	(2,017)	(16,874)
Reclassification	-	597,027	10,498	7,005	-	614,530
Effect of movements in exchange rates	41	(15,585)	(3,207)	(2,548)	(265)	(21,564)
Balance on June 30, 2023	<u>\$ 1,141,188</u>	<u>2,858,402</u>	<u>853,312</u>	<u>870,422</u>	<u>164,851</u>	<u>5,888,175</u>
Balance on January 1, 2022	\$ 1,139,930	2,165,757	811,116	791,094	177,288	5,085,185
Additions	-	7,163	7,304	24,891	2,137	41,495
Disposal	-	-	(6,945)	(3,520)	(10,487)	(20,952)
Reclassification	-	-	33,630	9,369	1,872	44,871
Effect of movements in exchange rates	194	16,516	2,927	1,754	892	22,283
Balance on June 30, 2022	<u>\$ 1,140,124</u>	<u>2,189,436</u>	<u>848,032</u>	<u>823,588</u>	<u>171,702</u>	<u>5,172,882</u>
<b>Depreciation and impairment loss:</b>						
Balance on January 1, 2023	\$ -	980,446	400,913	626,023	120,251	2,127,633
Depreciation	-	65,302	50,596	47,270	6,990	170,158
Disposal	-	-	(1,661)	(8,937)	(1,843)	(12,441)
Effect of movements in exchange rates	-	(4,932)	(1,957)	(1,459)	(190)	(8,538)
Balance on June 30, 2023	<u>\$ -</u>	<u>1,040,816</u>	<u>447,891</u>	<u>662,897</u>	<u>125,208</u>	<u>2,276,812</u>
Balance on January 1, 2022	\$ -	866,637	305,252	528,974	117,669	1,818,532
Depreciation	-	53,590	51,212	42,745	7,830	155,377
Disposal	-	-	(5,817)	(2,967)	(6,856)	(15,640)
Effect of movements in exchange rates	-	4,306	1,387	859	862	7,414
Balance on June 30, 2022	<u>\$ -</u>	<u>924,533</u>	<u>352,034</u>	<u>569,611</u>	<u>119,505</u>	<u>1,965,683</u>
<b>Carrying amounts:</b>						
Balance on January 1, 2023	<u>\$ 1,141,147</u>	<u>1,255,789</u>	<u>444,790</u>	<u>230,986</u>	<u>46,415</u>	<u>3,119,127</u>
Balance on June 30, 2023	<u>\$ 1,141,188</u>	<u>1,817,586</u>	<u>405,421</u>	<u>207,525</u>	<u>39,643</u>	<u>3,611,363</u>
Balance on January 1, 2022	<u>\$ 1,139,930</u>	<u>1,299,120</u>	<u>505,864</u>	<u>262,120</u>	<u>59,619</u>	<u>3,266,653</u>
Balance on June 30, 2022	<u>\$ 1,140,124</u>	<u>1,264,903</u>	<u>495,998</u>	<u>253,977</u>	<u>52,197</u>	<u>3,207,199</u>

- (i) In response to the need for expansion in the future, the Group bought the farmland near to its factory, costing \$316,060 thousand, but the ownership of the land is temporarily not allowed to be transferred to the Group because the farmland is legally for agricultural purpose. Therefore, the farmland now is registered in the name of a shareholder who has the identity of natural person and has pledged to the Group for security concerns.
- (ii) Gain or losses of disposal, please refer to Note 6(u).
- (iii) As of June 30, 2023, December 31, 2022 and June 30, 2022, property, plant and equipment of the Group was pledged as collateral for long-term loans; please refer to note 8.

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

(g) 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, 2023	\$ 87,243	14,799	20,078	122,120
Additions	-	-	358	358
Reductions	-	(14,799)	(328)	(15,127)
Effect of movement in exchange rates	(1,341)	-	-	(1,341)
Balance at June 30, 2023	<u>\$ 85,902</u>	<u>-</u>	<u>20,108</u>	<u>106,010</u>
Balance at January 1, 2022	\$ 86,329	51,627	20,899	158,855
Additions	-	(15,440)	(1,283)	(16,723)
Effect of movement in exchange rates	1,168	-	-	1,168
Balance at June 30, 2022	<u>\$ 87,497</u>	<u>36,187</u>	<u>19,616</u>	<u>143,300</u>
<b>Accumulated depreciation and impairment losses:</b>				
Balance at January 1, 2023	\$ 10,284	13,566	9,474	33,324
Depreciation for the period	2,073	1,233	3,340	6,646
Reductions	-	(14,799)	(328)	(15,127)
Effect of movement in exchange rates	(136)	-	-	(136)
Balance at June 30, 2023	<u>\$ 12,221</u>	<u>-</u>	<u>12,486</u>	<u>24,707</u>
Balance at January 1, 2022	\$ 6,076	22,898	7,231	36,205
Depreciation for the period	2,081	12,907	3,322	18,310
Reductions	-	(9,007)	(424)	(9,431)
Effect of movement in exchange rates	75	-	-	75
Balance at June 30, 2022	<u>\$ 8,232</u>	<u>26,798</u>	<u>10,129</u>	<u>45,159</u>
<b>Carrying amount:</b>				
Balance at January 1, 2023	<u>\$ 76,959</u>	<u>1,233</u>	<u>10,604</u>	<u>88,796</u>
Balance at June 30, 2023	<u>\$ 73,681</u>	<u>-</u>	<u>7,622</u>	<u>81,303</u>
Balance at January 1, 2022	<u>\$ 80,253</u>	<u>28,729</u>	<u>13,668</u>	<u>122,650</u>
Balance at June 30, 2022	<u>\$ 79,265</u>	<u>9,389</u>	<u>9,487</u>	<u>98,141</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the right-of-use assets of the Group were not pledged as collateral.

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

(h) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of the Group for the six months ended June 30, 2023 and 2022, were as follows:

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
<b>Costs:</b>			
Balance at January 1, 2023	\$ 43,293	162,276	205,569
Additions	-	10,611	10,611
Reductions	-	(2,077)	(2,077)
Effect of movement in exchange rates	-	(176)	(176)
Balance at June 30, 2023	<u>\$ 43,293</u>	<u>170,634</u>	<u>213,927</u>
Balance at January 1, 2022	\$ 43,293	141,692	184,985
Additions	-	17,411	17,411
Reductions	-	(1,949)	(1,949)
Effect of movement in exchange rates	-	145	145
Balance at June 30, 2022	<u>\$ 43,293</u>	<u>157,299</u>	<u>200,592</u>
<b>Amortization and impairment Loss:</b>			
Balance at January 1, 2023	\$ -	138,665	138,665
Amortization for the period	-	10,600	10,600
Reductions	-	(2,077)	(2,077)
Effect of movement in exchange rates	-	(145)	(145)
Balance at June 30, 2023	<u>\$ -</u>	<u>147,043</u>	<u>147,043</u>
Balance at January 1, 2022	\$ -	122,586	122,586
Amortization for the period	-	8,226	8,226
Reductions	-	(1,949)	(1,949)
Effect of movement in exchange rates	-	84	84
Balance at June 30, 2022	<u>\$ -</u>	<u>128,947</u>	<u>128,947</u>
<b>Carrying value:</b>			
Balance at January 1, 2023	<u>\$ 43,293</u>	<u>23,611</u>	<u>66,904</u>
Balance at June 30, 2023	<u>\$ 43,293</u>	<u>23,591</u>	<u>66,884</u>
Balance at January 1, 2022	<u>\$ 43,293</u>	<u>19,106</u>	<u>62,399</u>
Balance at June 30, 2022	<u>\$ 43,293</u>	<u>28,352</u>	<u>71,645</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the intangible assets of the Group were not pledged as collateral.

(Continued)

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

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Other current assets:			
Prepayments	\$ 39,914	39,224	63,437
Bussiness tax receivables	37,297	35,379	16,119
Others	<u>15,831</u>	<u>13,860</u>	<u>10,318</u>
	<u>\$ 93,042</u>	<u>88,463</u>	<u>89,874</u>
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Other non-current assets:			
Prepayments for equipment	\$ 54,014	642,910	524,641
Others	<u>3,702</u>	<u>4,639</u>	<u>5,620</u>
	<u>\$ 57,716</u>	<u>647,549</u>	<u>530,261</u>

(j) **Short-term borrowings**

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank loans	\$ 400,000	500,000	704,000
Secured bank loans	<u>360,334</u>	<u>301,417</u>	<u>125,524</u>
	<u>\$ 760,334</u>	<u>801,417</u>	<u>829,524</u>
Unused short-term credit lines	<u>\$ 3,250,834</u>	<u>3,389,004</u>	<u>3,452,681</u>
Range of interest rate	<u>1.55%~4.785%</u>	<u>1.41%~4.785%</u>	<u>0.85% ~4.785%</u>

(i) **Additional short-term borrowings and repayments**

For the six months ended June 30, 2023 and 2022, the Group had the additional short-term borrowings amounting to \$1,300,000 thousand and \$1,468,815 thousand, with a range of interest rate 1.66%~4.785% and 0.75%~4.785%, maturing in a range from July, 2023 to June, 2024 and July, 2022 to March, 2023, and the repayments were \$1,339,733 thousand and \$1,443,316 thousand, respectively.

(ii) **Collateral for short-term borrowings**

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

(Continued)

**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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(k) **Other current liabilities**

The details of other current liabilities were summarized as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Advance receipts	\$ 3,566	3,566	3,566
Temporary receipt	333,488	457,393	181,229
Others	5,261	16,673	7,796
	<b><u>\$ 342,315</u></b>	<b><u>477,632</u></b>	<b><u>192,591</u></b>

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

(l) **Long-term borrowings**

The details of long-term borrowings were as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Unsecured bank loans	\$ 208,113	232,253	195,833
Secured bank loans	728,382	818,334	901,667
Less : current portion	(535,666)	(413,033)	(275,000)
Total	<b><u>\$ 400,829</u></b>	<b><u>637,554</u></b>	<b><u>822,500</u></b>
Unused long-term credit lines	<b><u>\$ -</u></b>	<b><u>170,000</u></b>	<b><u>174,167</u></b>
Range of interest rate	<b><u>1.075%~5.24%</u></b>	<b><u>0.95%~5.24%</u></b>	<b><u>0.7%~1.31%</u></b>

(i) Additional long-term borrowings and repayments

For the six months ended June 30, 2023 and 2022, the Group had the additional long-term borrowings amounting to \$51,715 thousand and \$500,000 thousand, with a range of interest rate 4.35% and 1.03%~1.3%, maturing in range from April, 2024 to March, 2026 and December, 2024 to May, 2026 and the repayments were \$166,667 thousand and \$89,958 thousand, respectively.

(ii) Collateral for long-term borrowings

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

(m) **Lease liabilities**

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Current	\$ <b><u>8,731</u></b>	<b><u>10,501</u></b>	<b><u>17,421</u></b>
Non-current	<b><u>\$ 20,875</u></b>	<b><u>24,691</u></b>	<b><u>26,206</u></b>

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

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

The amounts recognized in profit or loss were as follows:

	<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ <b>168</b>	<b>299</b>

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

	<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ <b>6,112</b>	<b>17,893</b>

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

**(n) Provisions**

	<u>Warranties</u>
Balance at January 1, 2023	\$ 201,389
Provisions made during the period	10,689
Provisions used during the period	(51,592)
Balance at June 30, 2023	\$ <b>160,486</b>
Balance at January 1, 2022	\$ 162,599
Provisions made during the period	35,411
Provisions used during the period	(17,286)
Balance at June 30, 2022	\$ <b>180,724</b>

The provision for warranties relates mainly to automatic facilities and fitness equipment sold during the period ended June 30, 2023 and 2022. 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.

**(o) 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, 2022 and 2021.

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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The details of the Group's expenses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Operating costs	\$ 529	787	1,066	1,685
Selling expenses	31	78	63	225
Administrative expenses	96	353	191	600
Research and development expenses	131	179	274	439
Total	<u>\$ 787</u>	<u>1,397</u>	<u>1,594</u>	<u>2,949</u>

(ii) Defined contribution plans

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Operating costs	\$ 2,767	4,372	5,649	10,096
Selling expenses	238	263	485	565
Administrative expenses	620	763	1,246	1,586
Research and development expenses	823	991	1,646	2,031
Total	<u>\$ 4,448</u>	<u>6,389</u>	<u>9,026</u>	<u>14,278</u>

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 \$1,251 thousand, \$1,451 thousand, \$2,533 thousand and \$2,803 thousand for the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022.

(p) **Income taxes**

The details of the Group's income tax expenses (benefit) were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Current tax expense (benefit)				
Current period	\$ 5,007	(27,358)	(14,981)	(40,868)
Adjustment for prior periods	13	(7,163)	2,253	(7,163)
	<u>5,020</u>	<u>(34,521)</u>	<u>(12,728)</u>	<u>(48,031)</u>
Deferred tax expense				
Origination and reversal of temporary differences	(1,635)	3,532	(116)	4,218
Income tax expense (benefit)	<u>\$ 3,385</u>	<u>(30,989)</u>	<u>(12,844)</u>	<u>(43,813)</u>

(Continued)

**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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The amounts of income tax recognized directly in other comprehensive income for the six months ended June 30, 2023 and 2022 were as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	<b>\$ <u>2,953</u></b>	<b><u>1,397</u></b>	<b><u>2,516</u></b>	<b><u>(4,591)</u></b>

The income tax returns of the Company and Rexon Tech. for the years through 2021 were assessed and approved by the tax authorities.

**(q) Capital and other equity**

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to June 30, 2023 and 2022. For the related information, please refer to note 6 (r) of the consolidated financial statements for the year ended December 31, 2022.

**(i) Retained earnings**

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

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

**1) Special reserve**

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

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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As of June 30, 2023, December 31, 2022 and June 30, 2022, the amounts of such special reserves were both \$163,182 thousand.

2) Earnings distribution

The amount of cash dividends on appropriations of earnings for 2023 and 2022 had been approved in the board meeting on February 23, 2023 and March 15, 2022, respectively. These earnings were appropriated as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ <u>          </u>	<u>          -</u>	\$ <u>      3.0</u>	<u>  544,420</u>

(ii) OCI accumulated in reserves, net of tax

	<u>Exchange differences on translation of foreign financial statements</u>
Balance at January 1, 2023	\$ (143,923)
Exchange differences on foreign operations	<u>          (10,064)</u>
Balance at June 30, 2023	\$ <u>          (153,987)</u>
Balance at January 1, 2022	\$ (163,182)
Exchange differences on oprations foreign	<u>          18,365</u>
Balance at June 30, 2022	\$ <u>          (144,817)</u>

(r) Earnings (loss) per share

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Basic earnings (loss) per share</b>				
Net profit (loss) attributable to ordinary shareholders of the Company	\$ <u>      9,325</u>	<u>  (88,142)</u>	<u>  (66,795)</u>	<u> (139,437)</u>
Weighted-average number of ordinary shares	<u>  181,473</u>	<u>  181,473</u>	<u>  181,473</u>	<u>  181,473</u>
	\$ <u>      0.05</u>	<u>      (0.49)</u>	<u>      (0.37)</u>	<u>      (0.77)</u>

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Diluted earnings (loss) per share</b>				
Net profit (loss) attributable to ordinary shareholders of the Company	\$ <u>9,325</u>	<u>(88,142)</u>	<u>(66,795)</u>	<u>(139,437)</u>
Weighted-average number of ordinary shares	181,473	181,473	181,473	181,473
Effect of employee share bonus	-	-	-	-
Weighted average number of ordinary shares (diluted)	<u>181,473</u>	<u>181,473</u>	<u>181,473</u>	<u>181,473</u>
	<u>\$ 0.05</u>	<u>(0.49)</u>	<u>(0.37)</u>	<u>(0.77)</u>

There were both net losses incurred for the period from January 1 to June 30 in 2023 and 2022, and no dilutive effect occurred.

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

(i) Details of revenue

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<u>Primary geographical markets</u>				
America	\$ 882,249	829,028	1,399,183	2,330,407
Europe	106,631	55,101	131,021	146,757
Asia	21,993	58,920	44,868	100,105
Other	11,278	1,197	35,772	1,822
	<u>\$ 1,022,151</u>	<u>944,246</u>	<u>1,610,844</u>	<u>2,579,091</u>
<u>Major products/services lines</u>				
Woodworking tools	\$ 114,689	374,063	226,676	641,369
Fitness equipment	662,457	510,522	1,089,271	1,815,275
Other	245,005	59,661	294,897	122,447
	<u>\$ 1,022,151</u>	<u>944,246</u>	<u>1,610,844</u>	<u>2,579,091</u>

(ii) Contract balances

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Contract liabilities	<u>\$ 70,300</u>	<u>38,713</u>	<u>539,636</u>

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

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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The amounts of revenue recognized for the three months and six months ended June 30, 2023 and 2022, that were included in the contract liability balance at the beginning of the period were \$7,682 thousand, \$2,411 thousand, \$11,015 thousand and \$5,300 thousand, respectively.

**(t) 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 prevailing target given via cash or shares includes those dependent employees of the Company's subsidiaries under certain requirements.

Due to the losses before tax on both June 30 in 2023 and 2022, the remunerations to employees, directors and supervisors aren't estimated.

For the years ended December 31, 2022 and 2021, the remunerations to employees amounted to \$0 and \$69,327 thousand and the remunerations to directors and supervisors amounted to \$0 and \$7,000 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.

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

**(i) Interest income**

The details of interest income were as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest income — bank deposits	\$ <u>7,053</u>	<u>894</u>	<u>7,591</u>	<u>1,149</u>

**(ii) Other income**

The details of other income were as follows:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Rent income	\$ 1,397	1,397	2,794	2,794
Other	<u>9,934</u>	<u>2,075</u>	<u>22,407</u>	<u>4,945</u>
	<u>\$ 11,331</u>	<u>3,472</u>	<u>25,201</u>	<u>7,739</u>

(Continued)

**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net foreign exchange gains	\$ 22,589	14,483	1,764	26,723
Gain on lease modification	-	40	-	40
Net losses on disposal of property, plant and equipment	(1,486)	(957)	(2,436)	(1,833)
Other	(296)	(4,675)	(325)	(4,709)
Net other gains and losses	<u>\$ 20,807</u>	<u>8,891</u>	<u>(997)</u>	<u>20,221</u>

(iv) Finance expenses

The details of finance expenses were as follows:

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest expenses	\$ (8,984)	(6,022)	(17,560)	(10,969)
Less: capitalization of interest	250	1,400	1,470	1,900
	<u>\$ (8,734)</u>	<u>(4,622)</u>	<u>(16,090)</u>	<u>(9,069)</u>

(v) **Financial Instruments**

(i) Credit risk

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(w) of the consolidated financial statements for the year ended December 31, 2022.

(1) Concentration of credit risk

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group reviewed the concentrations of credit risk arising from major customer at percentages below 52%、37% and 15%, respectively, of the total trade receivables. The other top five clients contributed no more than 30%, 58% and 61%, respectively, of the total receivables.

(2) Receivables

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

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(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>more than 5 years</u>
<b>June 30, 2023</b>						
<b>Non-derivative financial liabilities</b>						
Secured bank loans	\$ 1,088,716	1,103,698	820,507	282,371	820	-
Unsecured loans	608,113	617,724	520,332	51,197	46,195	-
Lease liabilities (current and non-current)	29,606	30,546	8,338	4,971	9,152	8,085
Payables	1,406,066	1,406,066	1,406,066	-	-	-
	<u>\$ 3,132,501</u>	<u>3,158,034</u>	<u>2,755,243</u>	<u>338,539</u>	<u>56,167</u>	<u>8,085</u>
<b>December 31, 2022</b>						
<b>Non-derivative financial liabilities</b>						
Secured bank loans	\$ 1,119,751	1,137,492	654,277	401,103	82,112	-
Unsecured loans	732,253	742,453	618,844	51,686	71,923	-
Lease liabilities (current and non-current)	35,192	36,289	10,808	6,146	9,780	9,555
Payables	1,639,700	1,639,700	1,639,700	-	-	-
	<u>\$ 3,526,896</u>	<u>3,555,934</u>	<u>2,923,629</u>	<u>458,935</u>	<u>163,815</u>	<u>9,555</u>
<b>June 30, 2022</b>						
<b>Non-derivative financial liabilities</b>						
Secured bank loans	\$ 1,027,191	1,060,718	380,218	399,881	280,619	-
Unsecured loans	899,833	901,965	756,132	50,000	95,833	-
Lease liabilities (current and non-current)	43,627	44,840	17,751	6,775	9,289	11,025
Payables	1,981,243	1,981,243	1,981,243	-	-	-
	<u>\$ 3,951,894</u>	<u>3,988,766</u>	<u>3,135,344</u>	<u>456,656</u>	<u>385,741</u>	<u>11,025</u>

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 were as follows:

	<u>June 30, 2023</u>			<u>December 31, 2022</u>			<u>June 30, 2022</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	56,144	31.14	1,748,324	79,128	30.71	2,430,021	53,214	29.72	1,581,520
EUR	20	33.81	676	31	32.72	1,014	45	31.05	1,397
JPY	210,621	0.2150	45,284	209,838	0.2324	48,766	204,453	0.2182	44,612
GBP	5	39.38	197	5	37.30	187	5	36.07	180
<b>Financial Liabilities</b>									
<u>Monetary items</u>									
USD	7,591	31.14	236,384	8,491	30.71	260,759	7,695	29.72	228,695
EUR	228	33.81	7,709	230	32.72	7,526	230	31.05	7,142

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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, borrowings and trade and other payables that are denominated in foreign currency. A strengthening or weakening of 1% of the NTD against the USD, EUR, JPY and GBP as at June 30, 2023 and 2022, would have increased or decreased the net profit after tax by \$12,403 thousand and \$11,135 thousand, respectively, with all other variables remaining constant. The analysis is performed on the same basis for June 30, 2023 and 2022.

Since the Group has many kinds of functional currency, the information on foreign exchange gain on monetary items is disclosed by total amount. For the three months ended June 30, 2023 and 2022, the foreign exchange gain (including realized and unrealized portions) amounted to \$1,764 thousand and \$26,273 thousand, respectively.

2) Interest rate analysis

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

If the interest rate had increased or decreased by 1%, with all other variable factors remaining constant, the Group's net income would have increased/decreased by \$6,787 thousand and \$7,708 thousand for the three months ended June 30, 2023 and 2022, respectively. This is mainly due to the Group's borrowings in variable rates.

(iv) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

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		June 30, 2023				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>						
	Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
<b>Financial assets measured at amortized cost</b>						
	Cash and cash equivalents	1,637,299	-	-	-	-
	Notes receivable, trade receivable, and other receivable (including related parties)	620,705	-	-	-	-
	Guarantee deposits paid	2,680	-	-	-	-
		<u>\$ 2,260,780</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
<b>Financial liabilities at amortized cost</b>						
	Short-term borrowings	\$ 760,334	-	-	-	-
	Notes payable, accounts receivable, and other payable (including related parties)	1,406,066	-	-	-	-
	Long-term borrowings, due in 1 year	535,666	-	-	-	-
	Loan-term borrowings	400,829	-	-	-	-
	Leases liabilities	29,606	-	-	-	-
		<u>\$ 3,132,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2022				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>						
	Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
<b>Financial assets measured at amortized cost</b>						
	Cash and cash equivalents	1,970,759	-	-	-	-
	Notes receivable, trade receivable, and other receivable (including related parties)	778,794	-	-	-	-
	Guarantee deposits paid	1,926	-	-	-	-
		<u>\$ 2,751,575</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
<b>Financial liabilities at amortized cost</b>						
	Short-term borrowings	\$ 801,417	-	-	-	-
	Notes payable, accounts payable, and other payable (including related parties)	1,639,700	-	-	-	-
	Long-term borrowings, due in 1 year	413,033	-	-	-	-
	Loan-term borrowings	637,554	-	-	-	-
	Leases liabilities	35,192	-	-	-	-
		<u>\$ 3,526,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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	June 30, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	2,208,016	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	725,836	-	-	-	-
Guarantee deposits paid	6,476	-	-	-	-
	<u>\$ 2,940,424</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
<b>Financial liabilities at amortized cost</b>					
Short-term borrowings	\$ 829,524	-	-	-	-
Notes payable, accounts payable, and other payable(including related parties)	1,981,243	-	-	-	-
Long-term borrowings, due in 1 year	275,000	-	-	-	-
Loan-term borrowings	822,500	-	-	-	-
Lease liabilities	43,627	-	-	-	-
	<u>\$ 3,951,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

3) Valuation techniques for financial instruments measured at fair value

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

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

4) Transfer between Level 1 and Level 2

There were no transfers in the six months ended June 30, 2023 and 2022.

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

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

(w) **Financial risk management**

There were no significant changes in the Group's financial risk management and policies as those disclosed in Note 6(x) of the consolidated financial statements for the year ended December 31, 2022.

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

As of June 30, 2023, the Group's capital management strategy is consistent with the prior year as of December 31, 2022 and prior period as of June 30, 2022. The Group's debt to equity ratio as of June 30, 2023, December 31, 2022 and June 30, 2022, were as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Total liabilities	\$ 3,706,655	4,244,630	4,871,336
Less: cash and cash equivalents	(1,637,299)	(1,970,759)	(2,208,016)
Net debt	2,069,356	2,273,871	2,663,320
Total equity	3,433,484	3,509,327	3,584,814
Adjusted equity	<b>\$ 5,502,840</b>	<b>5,783,198</b>	<b>6,248,134</b>
Debt to equity ratio	<b>38%</b>	<b>39%</b>	<b>43%</b>

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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(y) **Investing and financing activities not affecting current cash flow**

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes			June 30, 2023
			Acquisition	Changes in lease payments	Foreign exchange movement	
Long-term borrowings	\$ 1,050,587	(114,952)	-	-	860	936,495
Short-term borrowings	801,417	(39,733)	-	-	(1,350)	760,334
Lease liabilities	35,192	(5,944)	358	-	-	29,606
Total liabilities from financing	\$ <u>1,887,196</u>	<u>(160,629)</u>	<u>358</u>	<u>-</u>	<u>(490)</u>	<u>1,726,435</u>

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

(7) **Related-party transactions**

(a) Names and relationship with the Group

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 transactions with related parties

(i) Sales of goods to related parties

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

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Associates—Fine Clear Co., Ltd	\$ <u>6,909</u>	<u>25,088</u>	<u>17,718</u>	<u>35,206</u>

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

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

The details of the Group's receivables from related parties were as follows:

<u>Account</u>	<u>Related-party type</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes receivable	Associates – Fine Clear Co., Ltd	\$ <u>5,154</u>	<u>31,722</u>	<u>16,102</u>
Accounts receivable	Associates – Fine Clear Co., Ltd	\$ <u>4,832</u>	<u>8,794</u>	<u>15,474</u>

(iii) Payables to related parties

The details of the Group's payables to related parties were as follows:

<u>Account</u>	<u>Related-party type</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Notes payable	Associates – Fine Clear Co., Ltd	\$ <u>24</u>	<u>94</u>	<u>10</u>
Other payables	Associates – Fine Clear Co., Ltd	\$ <u>-</u>	<u>6</u>	<u>4</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 5,676	9,119	10,551	17,614
Post-employment benefits	221	361	441	775
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 5,897</u>	<u>9,480</u>	<u>10,992</u>	<u>18,389</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Land	Guarantee for bank loans	\$ 296,916	296,916	296,916
Buildings	Guarantee for bank loans	806,791	844,913	835,293
		<u>\$ 1,103,707</u>	<u>1,141,829</u>	<u>1,132,209</u>

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**REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**  
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**(9) Significant commitments and contingencies:**

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

	June 30, 2023	December 31, 2022	June 30, 2022
Acquisition of property, plant and equipment	\$ <u>30,034</u>	<u>293,285</u>	<u>232,731</u>

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

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

**(11) Subsequent events:None**

**(12) Other:**

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

By item	For the three months ended June 30					
	2023			2022		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	76,759	43,424	120,183	106,188	54,777	160,965
Labor and health insurance	8,655	5,220	13,875	13,188	6,018	19,206
Pension	4,346	2,140	6,486	6,450	2,787	9,237
Others	1,575	650	2,225	2,659	593	3,252
Depreciation	77,298	11,686	88,984	76,731	11,363	88,094
Amortization	1,137	4,418	5,555	1,112	3,379	4,491

By item	For the six months ended June 30					
	2023			2022		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefits						
Salary	151,587	87,538	239,125	248,172	115,354	363,526
Labor and health insurance	17,632	10,364	27,996	29,997	12,204	42,201
Pension	8,847	4,306	13,153	14,267	5,763	20,030
Others	3,081	1,184	4,265	5,949	1,139	7,088
Depreciation	153,218	23,586	176,804	151,379	22,308	173,687
Amortization	2,279	8,321	10,600	1,657	6,569	8,226

(b) Seasonality of operation

The Group's operations were not affected by seasonality or cyclicality factor.

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**(13) Other disclosures:**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2023:

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

(Amounts in Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (USD2,000)	Balance of guarantees and endorsements as of reporting date (USD2,000)	Actual usage amount during the period (USD2,000)	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	REXON INDUSTRIAL CORP., LTD	Tongxiang Rexon	2	1,362,719	62,280	62,280	62,280	-	1.83 %	1,362,719	Y	N	Y

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

Note2 : No.0 represents the parent company.

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

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

## (iii) Securities held as of June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(Amounts in Thousands of New Taiwan Dollars)

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

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

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	The subsidiary	Purchase	188,060	15 %	90~150Days	(Note1)	(Note2)	(147,899)	(18) %	

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

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

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

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Name of Counter-party	Name of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tongxiang Rexon	REXON INDUSTRIAL CORP., LTD.	Parent company	Account receivable 147,899	2.08 %	-	-	The recovery amount as of July 24, 2023 : 28,643	-

(ix) Trading in derivative instruments:None.

(x) Business relationships and significant intercompany transactions:

(Amounts in Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Purchases	188,060	The prices were agreed upon by the two parties to the transaction.	11.67 %
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Account payable	147,899	The payment terms were agreed upon by the two parties to the transaction.	2.07 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Purchases	20,226	The prices were agreed upon by the two parties to the transaction.	1.26 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Account payable and notes payable	13,248	The payment terms were agreed upon by the two parties to the transaction.	0.19 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Service fee	22,950	The prices were agreed upon by the two parties to the transaction.	1.42 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Other payable	108,642	The payment terms were agreed upon by the two parties to the transaction.	1.52 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Sales	5,398	The prices were agreed upon by the two parties to the transaction.	0.34 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Account receivable	5,494	The receivment terms were agreed upon by the two parties to the transaction	0.08 %

Note1 : Representations of No. were as follows:

- 1) No.0 represents the parent company.
- 2) Subsidiaries were numbered in sequence from No.1.

Note2 : Type of intra-group transactions were as follows:

- 1) represents the transactions from parent company to subsidiary.
- 2) represents the transactions from subsidiary to parent company.
- 3) represents the transactions between subsidiaries.

(b) Information on investees (excluding information on investees in Mainland China):

The following is the information on investees for the six months ended June 30, 2023 (excluding information on investees in Mainland China):

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2023	December 31, 2022	Shares (thousands)	Percentage of wnership	Carrying value			
REXON INDUSTRIAL CORP., LTD.	Fine Clear Co.,Ltd	R.O.C	Buying and selling accessories	14,197	14,197	1,600	16 %	16,434	85	14	Investment Using Equity Method
REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd. (Rexon Tech)	R.O.C	Manufacture and sale of electric components	293,741	293,741	7,851	82.87 %	101,310	4,149	3,438	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Power Tool Specialists Inc.	U.S.A	Merchandise trading	196,465	196,465	0.1	96 %	162,235	5,637	5,411	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Gold Item Group Ltd.	British Virgin Islands	Investing and holding	747,858	747,858	US\$25,000 (Note 1)	100 %	649,671	(38,339)	(38,339)	Direct subsidiaries of the Company
Gold Item	Gold Tech Group Ltd.	Hong Kong	Investing and holding	US\$25,000	US\$25,000	US\$25,000 (Note 1)	100 %	629,129	(38,348)	(38,348)	Direct subsidiaries of Gold Item

Note1 : Company Limited without issuing Shares. The amount of capital invested is disclosed.

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## (c) Information on investment in mainland China:

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

(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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2023	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of June 30, 2023	Accumulated remittance of earnings as of June 30, 2023
					Outflow	Inflow						
Tongxiang Rexion	Manufacture of drills, woodworking tools and fitness equipment	RMB154,465 (USD 25,000)	(Note 1)	USD 25,000 (NTD 745,565)	-	-	USD 25,000 (NTD 745,565)	(38,348)	100 %	(38,348)	629,129	-

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.

## (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$ 25,000 (NT\$745,565)	US\$ 25,000 (NT\$745,565)	2,044,079

## (iii) Significant transactions:

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

## (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Kun Forever Co., Ltd.		20,196,000	11.12 %
Trust Account entrusted by Shu-Qi Chen in Li-Tai Investing Corp., Ltd.		12,275,599	6.76 %

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

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

**(14) Segment information**

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.