

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2024 and 2023**

Address: No.261, Jen Hwa RD, Tali, Taichung City 412,Taiwan (R.O.C.)
Telephone: (04)2491-4141

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11~12
(6) Explanation of significant accounts	12~34
(7) Related-party transactions	34~35
(8) Pledged assets	35
(9) Significant commitments and contingencies	35
(10) Losses due to major disasters	36
(11) Subsequent events	36
(12) Other	36
(13) Other disclosures	
(a) Information on significant transactions	37~38
(b) Information on investees	38
(c) Information on investment in Mainland China	39
(d) Major shareholders	39
(14) Segment information	39



安侯建業聯合會計師事務所
KPMG

台中市407544西屯區文心路二段201號7樓
7F, No.201, Sec.2, Wenxin Road,
Taichung City 407059, Taiwan (R.O.C.)

電話 Tel +886 4 2415 9168
傳真 Fax +886 4 2259 0196
網址 Web kpmg.com/tw

Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Rexon Industrial Corp., Ltd. and its subsidiaries as of September 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, as well as the changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, 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 Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China 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 \$207,799 thousand and \$196,983 thousand, constituting 3% and 2% of consolidated total assets as of September 30, 2024 and 2023, respectively, total liabilities amounting to \$54,142 thousand and \$47,489 thousand, both constituting 1% of consolidated total liabilities as of September 30, 2024 and 2023, respectively, and total comprehensive income(loss) amounting to \$(30,937) thousand, \$(33,305) thousand, \$(105,026) thousand and \$(61,297) thousand, constituting (57,291)%, (14)%, (28)% and (38)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2024 and 2023, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Rexon Industrial Corp., Ltd. and its subsidiaries in its investee companies of \$16,164 thousand and \$16,452 thousand as of September 30, 2024 and 2023, respectively, and its equity in net earnings on these investee companies of \$(3) thousand, \$18 thousand, \$1 thousand and \$32 thousand for the three months and nine months ended September 30, 2024 and 2023, respectively, were recognized solely on the financial statements prepared by these investee companies, 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 September 30, 2024 and 2023, and of its consolidated financial performance for the three months and nine months ended September 30, 2024 and 2023, as well as its consolidated cash flows for the nine months ended September 30, 2024 and 2023 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.

The engagement partners on the reviews resulting in this independent auditors’ review report are Chen, Cheng-Hsueh and Chang, Tzu-Hsin.

KPMG

Taipei, Taiwan (Republic of China)
November 6, 2024

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 Originally Issued in Chinese)
REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the nine months ended September 30, 2024 and 2023
(Expressed in thousands of New Taiwan Dollar , except earnings per share)

	For the three months ended September				For the nine months ended September			
	30		30		30		30	
	2024	2023	2024	2023	2024	2023	2024	2023
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (note 6(s) and 7)	\$ 1,451,585	100	2,335,980	100	5,103,519	100	3,946,824	100
5000 Operating costs (note 6(d) 、(o))	<u>1,246,345</u>	<u>86</u>	<u>1,919,056</u>	<u>82</u>	<u>4,279,523</u>	<u>84</u>	<u>3,385,576</u>	<u>86</u>
Gross profit from operations	<u>205,240</u>	<u>14</u>	<u>416,924</u>	<u>18</u>	<u>823,996</u>	<u>16</u>	<u>561,248</u>	<u>14</u>
6000 Operating expenses (note 6(o) and (t)):								
6100 Selling expenses	83,376	6	82,698	4	235,612	5	166,479	4
6200 Administrative expenses	52,394	4	58,228	2	164,610	3	144,880	4
6300 Research and development expenses	<u>42,932</u>	<u>3</u>	<u>49,887</u>	<u>2</u>	<u>139,443</u>	<u>3</u>	<u>118,200</u>	<u>3</u>
	<u>178,702</u>	<u>13</u>	<u>190,813</u>	<u>8</u>	<u>539,665</u>	<u>11</u>	<u>429,559</u>	<u>11</u>
Net operating income	<u>26,538</u>	<u>1</u>	<u>226,111</u>	<u>10</u>	<u>284,331</u>	<u>5</u>	<u>131,689</u>	<u>3</u>
7000 Non-operating income and expenses:								
7100 Interest income (note 6(u))	14,176	1	723	-	54,844	1	8,314	-
7010 Other income (note 6(u))	10,106	1	8,006	-	31,836	1	33,207	1
7020 Other gains and losses, net (note 6(u))	(37,722)	(3)	41,956	2	80,646	2	40,959	1
7050 Finance costs, net (note 6(m) and (u))	(4,600)	-	(8,367)	-	(17,195)	-	(24,457)	(1)
7060 Share of profit of associates accounted for using equity method (note 6(e))	<u>(3)</u>	<u>-</u>	<u>18</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>32</u>	<u>-</u>
	<u>(18,043)</u>	<u>(1)</u>	<u>42,336</u>	<u>2</u>	<u>150,132</u>	<u>4</u>	<u>58,055</u>	<u>1</u>
7900 Profit before income tax	8,495	-	268,447	12	434,463	9	189,744	4
7950 Income tax expense (note 6(p))	<u>1,216</u>	<u>-</u>	<u>55,714</u>	<u>2</u>	<u>86,452</u>	<u>2</u>	<u>42,870</u>	<u>1</u>
8200 Profit	<u>7,279</u>	<u>-</u>	<u>212,733</u>	<u>10</u>	<u>348,011</u>	<u>7</u>	<u>146,874</u>	<u>3</u>
8300 Other comprehensive income (loss):								
8360 Items that may be reclassified subsequently to profit or loss:								
8361 Exchange differences on translation (note 6(q))	(8,992)	(1)	32,283	1	30,207	1	19,783	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss(note 6(p))	<u>1,767</u>	<u>-</u>	<u>(6,414)</u>	<u>-</u>	<u>(6,007)</u>	<u>-</u>	<u>(3,898)</u>	<u>-</u>
8300 Other comprehensive income (after tax)	<u>(7,225)</u>	<u>(1)</u>	<u>25,869</u>	<u>1</u>	<u>24,200</u>	<u>1</u>	<u>15,885</u>	<u>1</u>
8500 Comprehensive income	<u>\$ 54</u>	<u>(1)</u>	<u>238,602</u>	<u>11</u>	<u>372,211</u>	<u>8</u>	<u>162,759</u>	<u>4</u>
Profit attributable to:								
8610 Owners of parent	\$ 7,585	-	210,961	10	347,532	7	144,166	3
8620 Non-controlling interests	<u>(306)</u>	<u>-</u>	<u>1,772</u>	<u>-</u>	<u>479</u>	<u>-</u>	<u>2,708</u>	<u>-</u>
	<u>\$ 7,279</u>	<u>-</u>	<u>212,733</u>	<u>10</u>	<u>348,011</u>	<u>7</u>	<u>146,874</u>	<u>3</u>
Comprehensive income attributable to:								
8710 Owners of parent	\$ 518	(1)	236,618	11	371,561	8	159,759	4
8720 Non-controlling interests	<u>(464)</u>	<u>-</u>	<u>1,984</u>	<u>-</u>	<u>650</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
	<u>\$ 54</u>	<u>(1)</u>	<u>238,602</u>	<u>11</u>	<u>372,211</u>	<u>8</u>	<u>162,759</u>	<u>4</u>
Earnings per share (NT dollars) (note 6 (r))								
9750 Basic earnings per share	<u>\$ 0.05</u>		<u>1.16</u>		<u>1.92</u>		<u>0.79</u>	
9850 Diluted earnings per share	<u>\$ 0.04</u>		<u>1.16</u>		<u>1.90</u>		<u>0.79</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Originally Issued in Chinese)
REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2024 and 2023
(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			
Balance on January 1, 2023	\$ 1,814,735	586	475,923	163,182	1,173,154	1,812,259	(143,923)	3,483,657	25,670	3,509,327
Profit for the period	-	-	-	-	144,166	144,166	-	144,166	2,708	146,874
Other comprehensive income for the period	-	-	-	-	-	-	15,593	15,593	292	15,885
Total comprehensive income	-	-	-	-	144,166	144,166	15,593	159,759	3,000	162,759
Balance on September 30, 2023	<u>\$ 1,814,735</u>	<u>586</u>	<u>475,923</u>	<u>163,182</u>	<u>1,317,320</u>	<u>1,956,425</u>	<u>(128,330)</u>	<u>3,643,416</u>	<u>28,670</u>	<u>3,672,086</u>
Balance on January 1, 2024	\$ 1,814,735	586	475,923	143,923	1,511,436	2,131,282	(152,298)	3,794,305	27,936	3,822,241
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	31,065	-	(31,065)	-	-	-	-	-
Special reserve appropriated	-	-	-	8,375	(8,375)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(217,768)	(217,768)	-	(217,768)	-	(217,768)
	-	-	31,065	8,375	(257,208)	(217,768)	-	(217,768)	-	(217,768)
Profit for the period	-	-	-	-	347,532	347,532	-	347,532	479	348,011
Other comprehensive income for the period	-	-	-	-	-	-	24,029	24,029	171	24,200
Total comprehensive income	-	-	-	-	347,532	347,532	24,029	371,561	650	372,211
Balance on September 30, 2024	<u>\$ 1,814,735</u>	<u>586</u>	<u>506,988</u>	<u>152,298</u>	<u>1,601,760</u>	<u>2,261,046</u>	<u>(128,269)</u>	<u>3,948,098</u>	<u>28,586</u>	<u>3,976,684</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2024 and 2023

(Expressed in thousands of New Taiwan Dollar)

	For the nine months ended September 30	
	2024	2023
Cash flows from operating activities:		
Profit (loss) before tax	\$ 434,463	189,744
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	242,787	266,031
Amortization expenses	15,172	15,893
Interest expenses	17,195	24,457
Interest income	(54,844)	(8,314)
Shares of profit of associates accounted for using equity method	(1)	(32)
Losses on disposal of property, plant and equipment	12,667	4,772
Impairment loss of property, plant and equipment	-	24,574
Total adjustments to reconcile profit	232,976	327,381
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	(1,677)	(237)
(Increase) decrease in notes receivable due from related parties	(2,962)	18,826
Decrease (increase) in accounts receivable	176,956	(413,716)
Decrease in accounts receivable due from related parties	3,607	4,637
Increase in other receivables	(2,163)	(2,048)
Decrease (increase) in inventories	261,062	(202,912)
Decrease (increase) in other current assets	17,388	(23,986)
Decrease in net defined benefit assets	1,809	1,730
Decrease in other operating assets	1,178	1,358
Total changes in operating assets	455,198	(616,348)
Changes in operating liabilities:		
Increase in contract liabilities	45,747	27,620
(Decrease) increase in notes payable	(409,522)	112,859
Increase (decrease) in notes payable to related parties	239	(91)
(Decrease) increase in accounts payable	(888,402)	959,957
Increase in other payable	61,546	86,689
(Decrease) increase in other payable to related parties	(104)	25
(Decrease) increase in other current liabilities	(48,825)	47,901
Total changes in operating liabilities	(1,239,321)	1,234,960
Total changes in operating assets and liabilities	(784,123)	618,612
Total adjustments	(551,147)	945,993
Cash outflow generated from operations	(116,684)	1,135,737
Interest received	56,532	8,314
Interest paid	(17,459)	(24,501)
Income taxes (paid) refund	(98,110)	12,184
Net cash flows used in operating activities	(175,721)	1,131,734
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(37,899)	(124,600)
Proceeds from disposal of property, plant and equipment	763	2,093
Increase in refundable deposits	982	(754)
Acquisition of intangible assets	(15,069)	(13,304)
Increase in prepayments for business facilities	(5,776)	(31,898)
Net cash flows used in investing activities	(56,999)	(168,463)
Cash flows from financing activities:		
Increase in short-term borrowings	866,127	1,735,325
Decrease in short-term borrowings	(1,066,127)	(1,775,065)
Increase from long-term borrowings	67,750	53,935
Repayments of long-term borrowings	(427,128)	(278,787)
Payment of lease liabilities	(6,456)	(8,307)
Cash dividends paid	(217,768)	-
Net cash flows used in financing activities	(783,602)	(272,899)
Effect of exchange rate changes on cash and cash equivalents	11,538	10,628
Net (decrease) increase in cash and cash equivalents	(1,004,784)	701,000
Cash and cash equivalents at beginning of period	3,283,001	1,970,759
Cash and cash equivalents at end of period	\$ 2,278,217	2,671,759

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

September 30, 2024 and 2023

(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

The consolidated financial statements for the nine Months ended September 30, 2024 and 2023 were authorized for issuance by the board of directors on November 6, 2024.

(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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

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

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

(Continued)

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

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

(Continued)

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

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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

(4) Summary of material accounting policies

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with 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 Accounting Standards endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
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. (Gold Tech)	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: Which is non-significant subsidiaries, its financial statements have not been reviewed.

(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.

(Continued)

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

(d) Classification of current and non-current assets and liabilities

The Group classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(e) 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 IFRS Accounting Standards (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.

(Continued)

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

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2023. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

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

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

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

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2023 consolidated financial statements. Please refer to Note 6 of the 2023 annual consolidated financial statements.

- (a) **Cash and cash equivalents**

	September 30, 2024	December 31, 2023	September 30, 2023
Petty cash and cash on hand	\$ 1,512	1,413	1,545
Checking and demand deposits	1,281,313	2,348,006	2,661,340
Time deposits	<u>995,392</u>	<u>933,582</u>	<u>8,874</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 2,278,217</u>	<u>3,283,001</u>	<u>2,671,759</u>

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

	September 30, 2024	December 31, 2023	September 30, 2023
Notes receivable from operating activities	\$ 1,761	84	524
Notes receivable from operating activities -related parties	13,975	11,013	12,896
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,736</u>	<u>11,097</u>	<u>13,420</u>
Accounts receivable-measured at amortized cost	\$ 834,721	1,011,677	1,153,033
Accounts receivable from related parties-measured at amortized cost	2,327	5,934	4,157
Less: Loss allowance	<u>(1,603)</u>	<u>(1,603)</u>	<u>(1,603)</u>
	<u>\$ 835,445</u>	<u>1,016,008</u>	<u>1,155,587</u>

(Continued)

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

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

	September 30, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 692,769	0.03%	197
1 to 90 days past due	160,012	0.88%	1,403
91 to 180 days past due	-	17.71%	-
181 to 360 days past due	3	100%	3
Over 360 days past due	-		-
Total	\$ 852,784		1,603
	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 932,443	0.06%	588
1 to 90 days past due	96,265	1.05%	1,015
91 to 180 days past due	-	-	-
181 to 360 days past due	-	-	-
Over 360 days past due	-	-	-
Total	\$ 1,028,708		1,603
	September 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 935,937	0.06%	591
1 to 90 days past due	234,540	0.41%	960
91 to 180 days past due	133	39.1%	52
181 to 360 days past due	-	-	-
Over 360 days past due	-	-	-
Total	\$ 1,170,610		1,603

(Continued)

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

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

	2024	2023
Balance at January 1	<u>\$ 1,603</u>	<u>1,603</u>
(which is balance at September 30)		

(iii) None of the receivables was pledged as collateral as of September 30, 2024, December 31, 2023 and September 30, 2023.

(c) **Other receivables**

	September 30, 2024	December 31, 2023	September 30, 2023
Other receivables	\$ 14,384	13,909	13,572
Less: Loss allowance	<u>(11,247)</u>	<u>(11,247)</u>	<u>(11,247)</u>
	<u>\$ 3,137</u>	<u>2,662</u>	<u>2,325</u>

(i) As of September 30, 2024, December 31, 2023 and September 30, 2023, there are no other receivables which are past due but not impaired.

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

	2024	2023
Balance on January 1	<u>\$ 11,247</u>	<u>11,247</u>
(which is balance at September 30)		

(d) **Inventories**

	September 30, 2024	December 31, 2023	September 30, 2023
Finished goods	\$ 164,881	292,924	350,391
Work in progress	102,473	97,753	117,336
Materials	94,373	111,889	191,776
Parts	112,491	232,764	120,439
Merchandise	<u>5,677</u>	<u>5,627</u>	<u>5,786</u>
	<u>\$ 479,895</u>	<u>740,957</u>	<u>785,728</u>

(Continued)

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

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

	For the three months ended September 30		For the nine months ended September 30,	
	2024	2023	2024	2023
Inventory scrap loss	\$ 532	5,172	4,317	7,722
Inventory shortage	-	-	7	15
Revenue from sale of scraps	(748)	(3,549)	(3,448)	(16,757)
	\$ (216)	1,623	876	(9,020)

As of September 30, 2024, December 31, 2023 and September 30, 2023 inventories were not pledged as collateral.

(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:

	September 30, 2024	December 31, 2023	September 30, 2023
Associates	\$ 16,164	16,163	16,452

(i) Associates

Affiliated company's information:

<u>Name of Associates</u>	<u>Nature of relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>		
			<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Fine Clear Corp., Ltd.	Sale of pneumatic nail gun and accessories, which is the Group's investment	Taiwan	16 %	16 %	16 %

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

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amount of individually insignificant associates' equity	\$ 16,164	16,163	16,452

(Continued)

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

	For the three months ended September 30		For the nine months ended September 30,	
	2024	2023	2024	2023
Attributable to the Group:				
Profit from continuing operations	\$ (3)	18	1	32
Other comprehensive income	-	-	-	-
Comprehensive income	\$ (3)	18	1	32

(ii) Investments pledge

As of September 30, 2024, December 31, 2023 and September 30, 2023 the Group did not provide any investments accounted for using the equity method as collateral for its loans.

(iii) The unreviewed financial statements of investment accounted for using equity method

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.

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

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery and equipment	Mold and tooling equipment	Office equipment and other facilities	Total
Cost or deemed cost:						
Balance on January 1, 2024	\$ 1,178,255	2,855,488	867,518	844,702	167,287	5,913,250
Additions	-	7,892	4,307	9,300	3,392	24,891
Disposal	-	-	(2,340)	(48,632)	(15,815)	(66,787)
Reclassification	-	-	15,686	4,439	270	20,395
Effect of movements in exchange rates	150	30,292	5,873	4,688	919	41,922
Balance on September 30, 2024	\$ 1,178,405	2,893,672	891,044	814,497	156,053	5,933,671
Balance on January 1, 2023	\$ 1,141,147	2,236,235	845,703	857,009	166,666	5,246,760
Additions	50,384	42,352	5,414	23,467	4,234	125,851
Disposal	-	-	(4,382)	(21,439)	(2,317)	(28,138)
Reclassification	-	597,027	23,462	8,210	35	628,734
Effect of movements in exchange rates	148	15,652	2,812	2,143	714	21,469
Balance on September 30, 2023	\$ 1,191,679	2,891,266	873,009	869,390	169,332	5,994,676

(Continued)

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

	<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>
Depreciation :						
Balance on January 1, 2024	\$ -	1,095,568	496,648	698,145	128,859	2,419,220
Depreciation	-	88,947	76,472	61,112	8,712	235,243
Disposal	-	-	(2,104)	(38,029)	(13,224)	(53,357)
Impairment loss	-	-	-	-	-	-
Effect of movements in exchange rates	-	10,451	3,876	2,959	791	18,077
Balance on September 30, 2024	<u>\$ -</u>	<u>1,194,966</u>	<u>574,892</u>	<u>724,187</u>	<u>125,138</u>	<u>2,619,183</u>
Balance on January 1, 2023	\$ -	980,446	400,913	626,023	120,251	2,127,633
Depreciation	-	99,352	75,944	71,054	10,322	256,672
Disposal	-	-	(2,778)	(16,388)	(2,107)	(21,273)
Impairment loss	-	-	-	24,574	-	24,574
Effect of movements in exchange rates	-	5,262	1,788	1,295	654	8,999
Balance on September 30, 2023	<u>\$ -</u>	<u>1,085,060</u>	<u>475,867</u>	<u>706,558</u>	<u>129,120</u>	<u>2,396,605</u>
Carrying amounts :						
Balance on January 1, 2024	<u>\$ 1,178,255</u>	<u>1,759,920</u>	<u>370,870</u>	<u>146,557</u>	<u>38,428</u>	<u>3,494,030</u>
Balance on September 30, 2024	<u>\$ 1,178,405</u>	<u>1,698,706</u>	<u>316,152</u>	<u>90,310</u>	<u>30,915</u>	<u>3,314,488</u>
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 September 30, 2023	<u>\$ 1,191,679</u>	<u>1,806,206</u>	<u>397,142</u>	<u>162,832</u>	<u>40,212</u>	<u>3,598,071</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) As of September 30, 2023, the Group recognized an impairment loss of \$24,574 thousand on the book value of some mold equipment that had exceeded its useful life and been expected to be disposed.
- (iii) Gain or losses of disposal, please refer to Note 6(u).
- (iv) As of September 30, 2024, December 31, 2023 and September 30, 2023, property, plant and equipment of the Group were pledged as collateral for long-term loans; please refer to note 8.

(Continued)

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 were presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance on January 1, 2024	\$ 86,255	-	20,393	106,648
Additions	-	-	8,695	8,695
Reductions	-	-	(11,129)	(11,129)
Effect of movement in exchange rates	2,430	-	-	2,430
Balance on September 30, 2024	<u>\$ 88,685</u>	<u>-</u>	<u>17,959</u>	<u>106,644</u>
Balance on 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	1,145	-	-	1,145
Balance on September 30, 2023	<u>\$ 88,388</u>	<u>-</u>	<u>20,108</u>	<u>108,496</u>
Accumulated depreciation :				
Balance on January 1, 2024	\$ 14,084	-	15,046	29,130
Depreciation	3,132	-	4,412	7,544
Reductions	-	-	(11,129)	(11,129)
Effect of movement in exchange rates	277	-	-	277
Balance on September 30, 2024	<u>\$ 17,493</u>	<u>-</u>	<u>8,329</u>	<u>25,822</u>
Balance on January 1, 2023	\$ 10,284	13,566	9,474	33,324
Depreciation	3,111	1,233	5,015	9,359
Reductions	-	(14,799)	(328)	(15,127)
Effect of movement in exchange rates	123	-	-	123
Balance on September 30, 2023	<u>\$ 13,518</u>	<u>-</u>	<u>14,161</u>	<u>27,679</u>
Carrying amount:				
Balance on January 1, 2024	<u>\$ 72,171</u>	<u>-</u>	<u>5,347</u>	<u>77,518</u>
Balance on September 30, 2024	<u>\$ 71,192</u>	<u>-</u>	<u>9,630</u>	<u>80,822</u>
Balance on January 1, 2023	<u>\$ 76,959</u>	<u>1,233</u>	<u>10,604</u>	<u>88,796</u>
Balance on September 30, 2023	<u>\$ 74,870</u>	<u>-</u>	<u>5,947</u>	<u>80,817</u>

As of September 30, 2024, December 31, 2023 and September 30, 2023, the right-of-use assets of the Group were not pledged as collateral.

(Continued)

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 , were as follows:

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
Costs:			
Balance at January 1, 2024	\$ 43,293	176,565	219,858
Additions	-	15,069	15,069
Reductions	-	(1,539)	(1,539)
Effect of movement in exchange rates	-	346	346
Balance at September 30, 2024	<u>\$ 43,293</u>	<u>190,441</u>	<u>233,734</u>
Balance at January 1, 2023	\$ 43,293	162,276	205,569
Additions	-	13,304	13,304
Reductions	-	(2,077)	(2,077)
Effect of movement in exchange rates	-	157	157
Balance at September 30, 2023	<u>\$ 43,293</u>	<u>173,660</u>	<u>216,953</u>
Amortization:			
Balance at January 1, 2024	\$ -	157,623	157,623
Amortization	-	15,172	15,172
Reductions	-	(1,539)	(1,539)
Effect of movement in exchange rates	-	286	286
Balance at September 30, 2024	<u>\$ -</u>	<u>171,542</u>	<u>171,542</u>
Balance at January 1, 2023	\$ -	138,665	138,665
Amortization	-	15,893	15,893
Reductions	-	(2,077)	(2,077)
Effect of movement in exchange rates	-	128	128
Balance at September 30, 2023	<u>\$ -</u>	<u>152,609</u>	<u>152,609</u>
Carrying value:			
Balance at January 1, 2024	<u>\$ 43,293</u>	<u>18,942</u>	<u>62,235</u>
Balance at September 30, 2024	<u>\$ 43,293</u>	<u>18,899</u>	<u>62,192</u>
Balance at January 1, 2023	<u>\$ 43,293</u>	<u>23,611</u>	<u>66,904</u>
Balance at September 30, 2023	<u>\$ 43,293</u>	<u>21,051</u>	<u>64,344</u>

As of September 30, 2024, December 31, 2023 and September 30, 2023, the intangible assets of the Group were not pledged as collateral.

(Continued)

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

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

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Other current assets:			
Prepayments	\$ 48,918	28,306	37,419
Bussiness tax receivables	24,127	64,623	62,160
Others	<u>14,843</u>	<u>12,347</u>	<u>12,870</u>
	<u>\$ 87,888</u>	<u>105,276</u>	<u>112,449</u>
	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Other non-current assets:			
Prepayments for equipment	\$ 27,687	42,306	46,074
Others	<u>1,673</u>	<u>2,851</u>	<u>3,281</u>
	<u>\$ 29,360</u>	<u>45,157</u>	<u>49,355</u>

(j) **Short-term borrowings**

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Unsecured bank loans	\$ 300,000	200,000	400,000
Secured bank loans	<u>63,233</u>	<u>360,703</u>	<u>362,924</u>
	<u>\$ 363,233</u>	<u>560,703</u>	<u>762,924</u>
Unused short-term credit lines	<u>\$ 3,703,733</u>	<u>3,360,703</u>	<u>3,239,940</u>
Range of interest rate	<u>1.725%~4.3%</u>	<u>1.725%~4.3%</u>	<u>1.66%~4.785%</u>

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

For the nine months ended September 30, 2024 and 2023, the Group had the additional short-term borrowings amounting to \$866,127 thousand and \$1,735,325 thousand, with a range of interest rate 1.66%~3.5% and 1.66%~4.785%, maturing in a range from October, 2024 to September, 2025 and October, 2023 to September, 2024.

For the nine months ended September 30, 2024 and 2023, the Group had the repayments were \$1,066,127 thousand and \$1,775,065 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
Notes to the Consolidated Financial Statements

(k) **Other current liabilities**

The details of other current liabilities were summarized as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Temporary receipt	\$ 513,470	498,452	510,056
Advance receipts	3,566	3,566	3,566
Others	5,970	5,994	5,288
	<u>\$ 523,006</u>	<u>508,012</u>	<u>518,910</u>

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:

	September 30, 2024	December 31, 2023	September 30, 2023
Secured bank loans	\$ 357,661	529,927	764,314
Unsecured bank loans		182,253	64,540
Less : current portion	(258,394)	(504,255)	(539,068)
Total	<u>\$ 99,267</u>	<u>207,925</u>	<u>289,786</u>
Unused long-term credit lines	<u>\$ 158,083</u>	<u>190,780</u>	<u>1,419,912</u>
Range of interest rate	<u>1.325%~6.532%</u>	<u>1.7%~6.66%</u>	<u>1.075%~5.24%</u>

(i) Additional long-term borrowings and repayments

For the nine months ended September 30, 2024 and 2023 the Group had the additional long-term borrowings amounting to \$67,750 thousand and \$53,935 thousand, with a range of interest rate 4% and 4.35%, maturing in range from June, 2026 and April, 2024 to March, 2026.

For the nine months ended September 30, 2024 and 2023, the Group had the repayments were \$427,128 thousand and \$278,787 thousand, respectively.

(ii) Collateral for long-term borrowings

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

(m) **Lease liabilities**

	September 30, 2024	December 31, 2023	September 30, 2023
Current	\$ 7,607	6,482	7,156
Non-current	<u>\$ 20,818</u>	<u>19,704</u>	<u>20,087</u>

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

(Continued)

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

The amounts recognized in profit or loss were as follows:

	For the nine months ended September 30	
	2024	2023
	Interest expense on lease liabilities	\$ 256

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

	For the nine months ended September 30	
	2024	2023
	Total cash outflow for leases	\$ 6,712

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

(n) Current refund liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
Current refund liabilities	\$ 182,354	246,173	208,012

Refund liabilities are the amount expected to be paid to the customer due to sales defective rate of automatic facilities and fitness equipment.

(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, 2023 and 2022.

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

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
	Operating costs	\$ 539	541	1,629
Selling expenses	35	32	105	95
Administrative expenses	119	95	358	286
Research and development expenses	131	121	391	395
Total	\$ 824	789	2,483	2,383

(Continued)

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

(ii) Defined contribution plans

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

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Operating costs	\$ 3,194	3,478	10,067	9,127
Selling expenses	302	253	878	738
Administrative expenses	866	627	2,538	1,873
Research and development expenses	792	840	2,376	2,486
Total	<u>\$ 5,154</u>	<u>5,198</u>	<u>15,859</u>	<u>14,224</u>

Except for the Company and Rexon Technology Corp., Ltd., other subsidiaries adopted the defined contribution method under their local law, and accordingly, the pension costs were \$1,443 thousand, \$1,240 thousand, \$4,610 thousand and \$3,773 thousand for the three months ended September 30, 2024 and 2023, and for the nine months ended September 30, 2024 and 2023.

(p) **Income taxes**

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

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Current tax expense (benefit)				
Current period	\$ (4,830)	29,298	76,533	14,317
Adjustment for prior periods	-	500	(483)	2,753
	<u>(4,830)</u>	<u>29,798</u>	<u>76,050</u>	<u>17,070</u>
Deferred tax expense				
Origination and reversal of temporary differences	6,046	25,916	10,402	25,800
Income tax expense	<u>\$ 1,216</u>	<u>55,714</u>	<u>86,452</u>	<u>42,870</u>

The amounts of income tax recognized directly in other comprehensive income for the nine months ended September 30, 2024 and 2023 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	<u>\$ 1,767</u>	<u>(6,414)</u>	<u>(6,007)</u>	<u>(3,898)</u>

(Continued)

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

The income tax returns of the Company and Rexon Tech. for the years through 2022 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 September 30, 2024 and 2023. For the related information, please refer to note 6 (q) of the consolidated financial statements for the year ended December 31, 2023.

(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.

As of September 30, 2024, December 31, 2023 and September 30, 2023 the amounts of such special reserves were \$152,298 thousand, \$143,923 thousand and \$163,182 thousand, respectively.

(Continued)

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

2) Earnings distribution

The amount of cash dividends on appropriations of earnings for 2023 and 2022 had been approved during the board meeting on February 27, 2024 and February 23, 2023, as follows:

	2023		2022	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ <u>1.2</u>	<u>217,768</u>	<u> </u>	<u>-</u>

(ii) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2024	\$ (152,298)
Exchange differences on foreign operations	<u>24,029</u>
Balance at September 30, 2024	<u>\$ (128,269)</u>
Balance at January 1, 2023	\$ (143,923)
Exchange differences on foreign operations	<u>15,593</u>
Balance at September 30, 2023	<u>\$ (128,330)</u>

(r) Earnings per share

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Basic earnings per share				
Net profit attributable to ordinary shareholders of the Company	\$ <u>7,585</u>	<u>210,961</u>	<u>347,532</u>	<u>144,166</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>1.16</u>	<u>1.92</u>	<u>0.79</u>
Diluted earnings per share				
Net profit attributable to ordinary shareholders of the Company	\$ <u>7,585</u>	<u>210,961</u>	<u>347,532</u>	<u>144,166</u>
Weighted-average number of ordinary shares	181,473	181,473	181,473	181,473
Effect of employee share bonus	1,048	375	1,204	375
Weighted average number of ordinary shares (diluted)	<u>182,521</u>	<u>181,848</u>	<u>182,677</u>	<u>181,848</u>
	<u>\$ 0.04</u>	<u>1.16</u>	<u>1.90</u>	<u>0.79</u>

(Continued)

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

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

(i) Details of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
<u>Primary geographical markets</u>				
America	\$ 1,352,472	2,078,977	4,716,247	3,478,160
Europe	37,445	218,758	191,009	349,779
Asia	60,479	27,799	192,940	72,667
Other	1,189	10,446	3,323	46,218
	<u>\$ 1,451,585</u>	<u>2,335,980</u>	<u>5,103,519</u>	<u>3,946,824</u>
<u>Major products</u>				
Woodworking tools	\$ 344,317	292,488	741,838	519,164
Fitness equipment	1,004,951	1,537,181	3,919,791	2,626,452
Other	102,317	506,311	441,890	801,208
	<u>\$ 1,451,585</u>	<u>2,335,980</u>	<u>5,103,519</u>	<u>3,946,824</u>

(ii) Contract balances

	September 30, 2024	December 31, 2023	September 30, 2023
Contract liabilities	<u>\$ 103,585</u>	<u>57,838</u>	<u>66,333</u>

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

The amount of revenue recognized for the three months and nine months ended September 30, 2024 and 2023, that were included in the contract liability balance at the beginning of the period were \$256 thousand, \$338 thousand, \$8,699 thousand and \$11,353 thousand, respectively.

(t) **Remunerations to employees and directors**

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 as remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via cash or shares includes those dependent employees of the Company's subsidiaries under certain requirements.

(Continued)

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

For the three months and nine months ended September 30, 2024 and 2023 the Company estimated its employee remuneration amounting to \$11,467 thousand, \$16,124 thousand, \$48,853 thousand and \$16,124 thousand, and directors' remuneration amounting to \$254 thousand, \$2,419 thousand, \$5,862 thousand and \$2,419 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration of employees. If there are any subsequent adjustments to the actual remuneration amounts, the adjustments will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2023 and 2022, the remunerations to employees amounted to \$36,189 thousand and \$0 and the remunerations to directors amounted to \$6,400 thousand and \$0, 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:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest income—bank deposits	\$ <u>14,176</u>	<u>723</u>	<u>54,844</u>	<u>8,314</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Rent income	\$ 1,397	1,397	4,191	4,191
Other	<u>8,709</u>	<u>6,609</u>	<u>27,645</u>	<u>29,016</u>
	<u>\$ 10,106</u>	<u>8,006</u>	<u>31,836</u>	<u>33,207</u>

(Continued)

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

(iii) Other income and losses

The details of other income and losses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Net foreign exchange (losses) gains	\$ (36,445)	68,962	93,402	70,726
Net losses on disposal of property, plant and equipment	(1,244)	(2,336)	(12,667)	(4,772)
Impairment loss on property, plant and equipment	-	(24,574)	-	(24,574)
Other	(33)	(96)	(89)	(421)
Net other income and losses	<u>\$ (37,722)</u>	<u>41,956</u>	<u>80,646</u>	<u>40,959</u>

(iv) Finance expenses

The details of finance expenses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest expenses	\$ (4,600)	(8,567)	(17,195)	(26,127)
Less: capitalization of interest	-	200	-	1,670
	<u>\$ (4,600)</u>	<u>(8,367)</u>	<u>(17,195)</u>	<u>(24,457)</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(v) of the consolidated financial statements for the year ended December 31, 2023.

1) Concentration of credit risk

As of September 30, 2024, December 31, 2023 and September 30, 2023, the Group reviewed the concentrations of credit risk arising from major customer at percentages below 32%, 59% and 61%, respectively, of the total trade receivables. The other top three clients contributed no more than 44%, 34% and 28%, respectively, of the total receivables.

(Continued)

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

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(c).

(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>
September 30, 2024						
Non-derivative financial liabilities						
Secured bank loans	\$ 420,894	428,768	326,163	102,605	-	-
Unsecured loans	300,000	300,449	300,449	-	-	-
Leased liabilities (current and non-current)	28,425	29,251	7,917	6,442	10,482	4,410
Payables	<u>1,965,561</u>	<u>1,965,561</u>	<u>1,965,561</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,714,880</u>	<u>2,724,029</u>	<u>2,600,090</u>	<u>109,047</u>	<u>10,482</u>	<u>4,410</u>
December 31, 2023						
Non-derivative financial liabilities						
Secured bank loans	\$ 890,630	1,008,449	820,940	166,595	20,914	-
Unsecured loans	382,253	254,025	228,814	1,113	24,098	-
Lease liabilities (current and non-current)	26,186	27,013	6,726	4,479	9,193	6,615
Payables	<u>3,215,076</u>	<u>3,215,076</u>	<u>3,215,076</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,514,145</u>	<u>4,504,563</u>	<u>4,271,556</u>	<u>172,187</u>	<u>54,205</u>	<u>6,615</u>
September 30, 2023						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,127,238	1,143,945	876,259	233,596	34,090	-
Unsecured loans	464,540	472,703	469,137	3,380	186	-
Lease liabilities (current and non-current)	27,243	28,107	7,399	4,477	8,881	7,350
Payables	<u>2,800,346</u>	<u>2,800,346</u>	<u>2,800,346</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,419,367</u>	<u>4,445,101</u>	<u>4,153,141</u>	<u>241,453</u>	<u>43,157</u>	<u>7,350</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>September 30, 2024</u>			<u>December 31, 2023</u>			<u>September 30, 2023</u>		
	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>NTD</u>
Financial Assets									
Monetary items									
USD	\$ 53,161	31.65	1,682,546	131,928	30.71	4,051,509	88,780	32.27	2,864,931
EUR	28	35.38	991	26	33.98	883	23	33.91	780

(Continued)

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

	September 30, 2024			December 31, 2023			September 30, 2023		
	Foreign Currency	Exchange Rates	NTD	Foreign Currency	Exchange Rates	NTD	Foreign Currency	Exchange Rates	NTD
JPY	5,493	0.2223	1,221	210,412	0.2172	45,701	210,621	0.2162	45,536
GBP	5	42.43	212	5	39.15	196	5	39.23	196
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
USD	2,307	31.65	73,017	10,463	30.71	321,319	1,626	32.27	52,471
EUR	223	35.38	7,890	224	33.98	7,612	224	33.91	7,596

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, accounts and other receivables, borrowings, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the TWD against the USD, EUR, JPY, and GBP as of September 30, 2024 and 2023 would have increased (decreased) the net profit after tax by \$12,832 thousand and \$22,811 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for prior year.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the nine months ended September 30, 2024 and 2023, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$93,402 thousand and \$70,726 thousand, respectively.

(iv) Interest rate analysis

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 \$5,767 thousand and \$9,551 thousand for the nine months ended September 30, 2024 and 2023, respectively. This is mainly due to the Group's borrowings in variable rates.

(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

(Continued)

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

disclosure of fair value information is not required:

	September 30, 2024				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
Financial assets measured at amortized cost					
Cash and cash equivalents	2,278,217	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	854,318	-	-	-	-
Guarantee deposits paid	1,698	-	-	-	-
	<u>\$ 3,134,329</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 363,233	-	-	-	-
Notes payable, accounts payable, and other payable (including related parties)	1,965,561	-	-	-	-
Long-term borrowings, current portion	258,394	-	-	-	-
Loan-term borrowings	99,267	-	-	-	-
Leases liabilities	28,425	-	-	-	-
	<u>\$ 2,714,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
Financial assets measured at amortized cost					
Cash and cash equivalents	3,283,001	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	1,029,767	-	-	-	-
Guarantee deposits paid	2,680	-	-	-	-
	<u>\$ 4,315,544</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 560,703	-	-	-	-
Notes payable, accounts payable, and other payable (including related parties)	3,215,076	-	-	-	-
Long-term borrowings, current portion	504,255	-	-	-	-
Loan-term borrowings	207,925	-	-	-	-
Leases liabilities	26,186	-	-	-	-
	<u>\$ 4,514,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	September 30, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
Financial assets measured at amortized cost					
Cash and cash equivalents	2,671,759	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	1,171,332	-	-	-	-
Guarantee deposits paid	2,680	-	-	-	-
	<u>\$ 3,845,867</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 762,924	-	-	-	-
Notes payable, accounts payable, and other payable(including related parties)	2,800,346	-	-	-	-
Long-term borrowings, current portion	539,068	-	-	-	-
Loan-term borrowings	289,786	-	-	-	-
Lease liabilities	27,243	-	-	-	-
	<u>\$ 4,419,367</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 nine months ended September 30, 2024 and 2023.

(Continued)

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

- 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 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(w) of the consolidated financial statements for the year ended December 31, 2023.

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2023. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2023. Please refer to note 6 (x) to the consolidated financial statements for the year ended December 31, 2023 for further details.

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

The Group's investing and financing activities, which did not affect the current cash flow in the nine months ended September 30, 2024 and 2023, were as follows:

- (i) For acquisition of right-of-use assets through lease, please refer to note 6(g).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flows	Non-cash changes		September 30, 2024
			Acquisition	Foreign exchange movement	
Long-term borrowings (including due within 1 year)	\$ 712,180	(359,378)	-	4,859	357,661
Short-term borrowings	560,703	(200,000)	-	2,530	363,233
Lease liabilities	26,186	(6,456)	8,695	-	28,425
Total liabilities from financing	<u>\$ 1,299,069</u>	<u>(565,834)</u>	<u>8,695</u>	<u>7,389</u>	<u>749,319</u>

(Continued)

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

	January 1, 2023	Cash flows	Non-cash changes		September 30, 2023
			Acquisition	Foreign exchange movement	
Long-term borrowings (including due within 1 year)	\$ 1,050,587	(224,852)	-	3,119	828,854
Short-term borrowings	801,417	(39,740)	-	1,247	762,924
Lease liabilities	35,192	(8,307)	358	-	27,243
Total liabilities from financing	<u>\$ 1,887,196</u>	<u>(272,899)</u>	<u>358</u>	<u>4,366</u>	<u>1,619,021</u>

(7) Related-party transactions

(a) Names and relationship with the Group

The followings is the entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
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 September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Associates—Fine Clear Co., Ltd	<u>\$ 10,395</u>	<u>9,355</u>	<u>35,706</u>	<u>27,073</u>

The price changed 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 ranged from 30 days to 120 days, while the credit term for routine sales transactions was 150 days. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Receivables from related parties

Account	Related-party type	September 30, 2024	December 31, 2023	September 30, 2023
Notes receivable	Associates—Fine Clear Co., Ltd	<u>\$ 13,975</u>	<u>11,013</u>	<u>12,896</u>
Accounts receivable	Associates—Fine Clear Co., Ltd	<u>\$ 2,327</u>	<u>5,934</u>	<u>4,157</u>

(Continued)

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

(iii) Payables to related parties

<u>Account</u>	<u>Related-party type</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Notes payable	Associates – Fine Clear Co., Ltd	\$ <u>300</u>	<u>61</u>	<u>3</u>
Other payables	Associates – Fine Clear Co., Ltd	\$ <u>12</u>	<u>116</u>	<u>31</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 6,395	7,641	19,078	18,192
Post-employment benefits	278	358	833	799
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 6,673</u>	<u>7,999</u>	<u>19,911</u>	<u>18,991</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Land	Guarantee for bank loans	\$ 296,916	296,916	296,916
Buildings	Guarantee for bank loans	918,136	952,398	802,430
		<u>\$ 1,215,052</u>	<u>1,249,314</u>	<u>1,099,346</u>

(9) Significant commitments and contingencies:

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Acquisition of property, plant and equipment	\$ <u>13,394</u>	<u>15,371</u>	<u>16,068</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 does not expect material impact in the Group's operation and business.

(Continued)

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

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

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

By item	For the three months ended September 30					
	2024			2023		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	99,928	61,392	161,320	102,988	43,437	146,425
Labor and health insurance	10,157	5,507	15,664	10,751	5,046	15,797
Pension	4,995	2,426	7,421	5,117	2,110	7,227
Others	2,876	874	3,750	2,393	682	3,075
Depreciation	68,009	10,649	78,658	77,705	11,522	89,227
Amortization	1,369	3,489	4,858	1,137	4,156	5,293

By item	For the nine months ended September 30					
	2024			2023		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefits						
Salary	294,883	207,181	502,064	254,575	130,975	385,550
Labor and health insurance	32,153	16,410	48,563	28,383	15,410	43,793
Pension	15,731	7,221	22,952	13,964	6,416	20,380
Others	7,820	2,447	10,267	5,474	1,866	7,340
Depreciation	210,554	32,233	242,787	230,923	35,108	266,031
Amortization	3,770	11,402	15,172	3,416	12,477	15,893

(b) Seasonlity of operation

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

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2024:

- (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	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	REXON INDUSTRIAL CORP., LTD	Tongxiang Rexon	2	1,579,239	(USD2,000) 63,300	-	-	-	- %	1,579,239	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 September 30, 2024 (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	588,606	17 %	90~150Days	(Note1)	(Note2)	(298,650)	(26) %	

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

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

(Continued)

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

(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 298,650	2.95 %	-	-	The recovery amount as of October 22, 2024 : 73,718	-

(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 (Note2)	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	588,606	The prices were agreed upon by the two parties to the transaction.	11.53 %
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Account payable	298,650	The payment terms were agreed upon by the two parties to the transaction.	3.96 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology	1	Purchases	78,573	The prices were agreed upon by the two parties to the transaction.	1.54 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology	1	Account payable	14,247	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	36,088	The prices were agreed upon by the two parties to the transaction.	0.71 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Other payable	129,992	The payment terms were agreed upon by the two parties to the transaction..	1.72 %

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 form 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 nine months ended September 30, 2024 (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 September 30, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value			
REXON INDUSTRIAL CORP., LTD.	Fine Clear Co.,Ltd	R.O.C	Buying and selling accessories	14,197	14,197	1,600	16 %	16,164	10	2	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 %	107,967	713	591	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 %	174,829	8,920	8,563	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 %	653,188	(14,574)	(14,574)	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 %	632,600	(14,585)	(14,585)	Direct subsidiaries of Gold Item

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

(Continued)

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

(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, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2024	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of September 30, 2024	Accumulated remittance of earnings as of September 30, 2024
					Outflow	Inflow						
Tongxiang Rexon	Manufacture of drills, woodworking tools and fitness equipment	CNY154,465 (USD 25,000)	(Note 1)	USD 25,000 (NTD 745,565)	-	-	USD 25,000 (NTD 745,565)	(14,585)	100 %	(14,585)	632,600	-

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 September 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$ 25,000 (NT\$745,565)	US\$ 25,000 (NT\$745,565)	2,386,010

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Kun-Ju Co., Ltd.		26,369,472	14.53 %
Trust Account entrusted by Shu-Qi Chen in Li-Tai Investing Corp., Ltd.		12,275,599	6.76 %
Li-Tai Investing Corp., Ltd.		9,870,800	5.43 %

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.

(Continued)