

REXON INDUSTRIAL CORP., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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

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

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安侯建業聯合會計師事務所

KPMG

台中市407059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' Report

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

Opinion

We have audited the financial statements of Rexion Industrial Corp., Ltd. (“the Company”), which comprise the balance sheets of December 31, 2024 and 2023, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Valuation of Inventories

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
February 26, 2025

Notes to Readers

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

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

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

Balance Sheets
December 31, 2024 and 2023
(Expressed in thousands of New Taiwan Dollar)

Assets	December 31, 2024		December 31, 2023			Liabilities and Equity	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (note 6 (a))	\$ 2,238,708	31	3,171,800	35	2100	Short-term borrowings (note 6 (j) and 8)	\$ 400,000	5	500,000	5
1110 Current financial assets at fair value through profit or loss	96	-	96	-	2130	Current contract liabilities (note 6 (s))	40,870	1	49,191	1
1150 Notes receivable, net (note 6 (b))	44	-	53	-	2150	Notes payable (note 6 (m))	133,643	2	591,699	6
1160 Notes receivable due from related parties, net (note 6 (b) and 7)	9,966	-	11,013	-	2160	Notes payable to related parties (note 7)	170	-	61	-
1170 Accounts receivable, net (note 6 (b))	638,120	9	997,219	11	2170	Accounts payable(note 6 (m))	550,430	8	1,698,018	18
1180 Accounts receivable due from related parties, net (note 6 (b) and 7)	5,239	-	7,688	-	2180	Accounts payable to related parties (note 7)	277,781	4	272,616	3
1200 Other receivables, net (note 6 (c))	2,769	-	2,558	-	2200	Other payables (note 6 (p))	798,797	11	718,917	8
1210 Other receivables due from related parties, net (note 6 (c) and 7)	5,049	-	4,722	-	2220	Other payables to related parties (note 7)	133,382	2	109,769	1
1220 Current tax assets	-	-	480	-	2230	Current tax liabilities	35,636	-	59,305	1
130X Inventories (note 6 (d))	375,726	5	646,218	7	2365	Current provisions (note 6 (o))	198,353	3	246,173	3
1479 Other current assets (note 6 (i))	47,663	1	88,218	1	2280	Current lease liabilities (note 6 (n))	8,052	-	6,482	-
	<u>3,323,380</u>	<u>46</u>	<u>4,930,065</u>	<u>54</u>	2320	Long-term borrowing, current portion (note 6 (l) and 8)	165,000	2	446,667	5
Non-current assets:					2399	Other current liabilities, others (note 6 (k) and (s))	537,128	7	507,977	6
1550 Investments accounted for using equity method, net (note 6 (e))	934,691	13	927,530	10		<u>3,279,242</u>	<u>45</u>	<u>5,206,875</u>	<u>57</u>	
1600 Property, plant and equipment (note 6 (f) and 8)	2,635,282	35	2,875,620	31		Non-Current liabilities:				
1755 Right-of-use assets (note 6 (g))	28,554	-	25,866	-	2540	Long-term borrowings (note 6 (l) and 8)	87,500	1	152,500	2
1780 Intangible assets (note 6 (h))	14,073	-	15,698	-	2580	Non-current lease liabilities (note 6 (n))	20,898	-	19,704	-
1840 Deferred tax assets (note 6 (p))	115,839	2	132,764	2		<u>108,398</u>	<u>1</u>	<u>172,204</u>	<u>2</u>	
1920 Guarantee deposits paid	1,298	-	2,280	-		<u>3,387,640</u>	<u>46</u>	<u>5,379,079</u>	<u>59</u>	
1975 Net defined benefit asset, non-current (note 6 (o))	240,780	3	220,140	3		Total liabilities				
1990 Other non-current assets (note 6 (i))	38,800	1	43,421	-		Equity: (note 6 (r))				
	<u>4,009,317</u>	<u>54</u>	<u>4,243,319</u>	<u>46</u>	3100	Share capital	1,814,735	25	1,814,735	20
					3200	Capital surplus	586	-	586	-
					3300	Retained earnings	2,248,871	31	2,131,282	23
					3400	Other equity	(119,135)	(2)	(152,298)	(2)
						Total equity	<u>3,945,057</u>	<u>54</u>	<u>3,794,305</u>	<u>41</u>
Total assets	<u>\$ 7,332,697</u>	<u>100</u>	<u>9,173,384</u>	<u>100</u>		Total liabilities and equity	<u>\$ 7,332,697</u>	<u>100</u>	<u>9,173,384</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

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

REXON INDUSTRIAL CORP., LTD.**Statements of Comprehensive Income****For the years ended December 31, 2024 and 2023****(Expressed in thousands of New Taiwan Dollar , except earnings per share)**

	2024		2023	
	Amount	%	Amount	%
4000 Operating revenue (note 6 (t) and 7)	\$ 6,014,984	100	6,624,877	100
5000 Operating costs (note 6 (d) 、(h) 、(p) and (7))	5,174,265	86	5,570,338	84
Gross profit from operations	840,719	14	1,054,539	16
6000 Operating expenses (note 6 (h) 、(p) 、(u) and 7):				
6100 Selling expenses	274,081	5	244,604	4
6200 Administrative expenses	150,788	3	140,193	2
6300 Research and development expenses	152,567	3	161,504	2
	577,436	11	546,301	8
Net operating (loss) income	263,283	3	508,238	8
7000 Non-operating income and expenses:				
7100 Interest income (note 6 (v))	72,579	1	25,251	-
7010 Other income (note 6 (v))	32,366	1	32,991	-
7020 Other gains and losses, net (note 6 (f) and (v))	80,893	1	(100,433)	(1)
7050 Finance costs (note 6 (n) and (v))	(13,554)	-	(22,973)	-
7070 Share of loss of subsidiaries and associates for using equity method, net (note 6 (e))	(34,293)	(1)	(33,306)	(1)
	137,991	2	(98,470)	(2)
7900 Profit (loss) before income tax	401,274	5	409,768	6
7950 Income tax expense (benefit) (note 6 (q))	82,442	1	101,000	1
8200 Profit (loss)	318,832	4	308,768	5
8300 Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit or loss:				
8311 Gains on remeasurements of defined benefit obligation (note 6 (p))	16,525	-	10,255	-
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation (note 6 (r))	41,454	1	(10,469)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (q))	(8,291)	-	2,094	-
	33,163	1	(8,375)	-
8300 Other comprehensive income (after tax)	49,688	1	1,880	-
8500 Comprehensive income	\$ 368,520	5	310,648	5
Earnings (loss) per share(NT dollars) (note 6 (s))				
9750 Basic earnings (loss) per share	\$ 1.76		1.70	
9850 Diluted earnings (loss) per share	\$ 1.74		1.69	

See accompanying notes to parent company only financial statements.

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

REXON INDUSTRIAL CORP., LTD.**Statements of Changes in Equity****For the years ended December 31, 2024 and 2023****(Expressed in thousands of New Taiwan Dollar)**

	Share capital		Retained earnings				Total other equity	
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2023	\$ 1,814,735	586	475,923	163,182	1,173,154	1,812,259	(143,923)	3,483,657
Appropriation and distribution of retained earnings:								
Reversal of special reserve	-	-	-	(19,259)	19,259	-	-	-
Profit (loss) for the year months ended December 31, 2023	-	-	-	-	308,768	308,768	-	308,768
Other comprehensive income for the year months ended December 31, 2023	-	-	-	-	10,255	10,255	(8,375)	1,880
Total comprehensive income	-	-	-	-	319,023	319,023	(8,375)	310,648
Balance on December 31, 2023	<u>\$ 1,814,735</u>	<u>586</u>	<u>475,923</u>	<u>143,923</u>	<u>1,511,436</u>	<u>2,131,282</u>	<u>(152,298)</u>	<u>3,794,305</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
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)
	-	-	31,065	8,375	(257,208)	(217,768)	-	(217,768)
Profit for the year months ended December 31, 2024	-	-	-	-	318,832	318,832	-	318,832
Other comprehensive income for the year months ended December 31, 2024	-	-	-	-	16,525	16,525	33,163	49,688
Total comprehensive income	-	-	-	-	335,357	335,357	33,163	368,520
Balance on December 31, 2024	<u>\$ 1,814,735</u>	<u>586</u>	<u>506,988</u>	<u>152,298</u>	<u>1,589,585</u>	<u>2,248,871</u>	<u>(119,135)</u>	<u>3,945,057</u>

See accompanying notes to parent company only financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in thousands of New Taiwan Dollar)

	2024	2023
Cash flows from operating activities:		
Profit before tax	\$ 401,274	409,768
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	246,622	284,440
Amortization expense	17,784	18,660
Interest expense	13,554	22,973
Interest income	(72,579)	(25,251)
Share of loss of subsidiaries and associates for using equity method	34,293	33,306
Loss on disposal of property, plant and equipment	13,005	8,126
Impairment loss of property, plant and equipment	43,735	24,574
Total adjustments to reconcile profit	296,414	366,828
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	9	(2)
Decrease in notes receivable due from related parties	1,047	20,709
Decrease (increase) in accounts receivable	359,099	(276,270)
Decrease in accounts receivable due from related parties	2,449	1,106
Decrease (increase) in other receivable	1,714	(2,390)
(Increase) decrease in other receivable due from related parties	(327)	4,062
Decrease (increase) in inventories	270,492	(187,905)
Decrease (increase) in other current assets	40,555	(23,247)
Increase in assets recognised from costs to fulfil contracts with customers	(4,115)	-
Decrease in other operating assets	1,513	1,788
Total changes in operating assets	672,436	(462,149)
Changes in operating liabilities:		
(Decrease) increase in contract liabilities	(8,321)	21,639
(Decrease) increase in notes payable	(458,056)	177,429
Increase (decrease) in notes payable to related parties	109	(29,698)
(Decrease) increase in accounts payable	(1,147,588)	1,253,359
Increase in accounts payable to related parties	5,165	54,653
Increase in other payable	69,990	127,774
Increase in other payable to related parties	23,613	8,608
(Decrease) increase in other current liabilities	(18,669)	85,503
Decrease in net defined benefit assets	-	(3,880)
Total changes in operating liabilities	(1,533,757)	1,695,387
Total changes in operating assets and liabilities	(861,321)	1,233,238
Total adjustments	(564,907)	1,600,066
Cash inflow (outflow) generated from operations	(163,633)	2,009,834
Interest received	70,654	25,251
Dividends received	-	400
Interest paid	(14,115)	(21,380)
Income taxes refund (paid)	(96,997)	11,476
Net cash flows from (used in) operating activities	(204,091)	2,025,581
Cash flows used in investing activities:		
Acquisition of property, plant and equipment	(21,174)	(116,231)
Proceeds from disposal of property, plant and equipment	790	21,466
(Increase) decrease in refundable deposits	982	(354)
Acquisition of intangible assets	(16,159)	(14,932)
Increase in prepayments for business facilities	(20,413)	(35,944)
Net cash flows used in investing activities	(55,974)	(145,995)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	1,400,000	2,000,000
Decrease in short-term borrowings	(1,500,000)	(2,200,000)
Increase from long-term borrowings	100,000	-
Repayments of long-term borrowings	(446,667)	(390,000)
Cash dividends paid	(217,768)	-
Payment of lease liabilities	(8,592)	(10,697)
Net cash flows used in financing activities	(673,027)	(600,697)
Net increase (decrease) in cash and cash equivalents	(933,092)	1,278,889
Cash and cash equivalents at beginning of period	3,171,800	1,892,911
Cash and cash equivalents at end of period	\$ 2,238,708	3,171,800

See accompanying notes to parent company only financial statements.

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

REXON INDUSTRIAL CORP., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 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 is in the business of manufacturing and selling drills, woodworking tools and fitness equipment.

(2) Approval date and procedures of the financial statements

These parent company only financial statements were authorized for issue by the Board of Directors on February 26, 2025.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 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 Accounting Standards endorsed by the FSC but not yet effective

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

- Amendments to IAS21 “Lack of Exchangeability”

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

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

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
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 Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be

(Continued)

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

endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

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REXON INDUSTRIAL CORP., LTD.
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(c) **Foreign currencies**

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (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 Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have 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) Cash and cash equivalents

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

(f) Financial instruments

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

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REXON INDUSTRIAL CORP., LTD.
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(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instrument

1) Classification of debt or equity

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

2) Equity instrument

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

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3) Derecognition of financial liabilities

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

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

4) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investment in associates

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

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

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

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When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

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

(k) Leases

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

(i) As a lessee

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

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

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

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

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

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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

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

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

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

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

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

(ii) As a lessor

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

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

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(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

Computer software 1~10years

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

(n) Provisions

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

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

(o) Revenue from contracts with customers

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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

2) **Financing components**

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

(p) **Employee benefits**

(i) **Defined contribution plans**

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

(ii) **Defined benefit plans**

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

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

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

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

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(iii) Short-term employee benefits

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

(q) **Income taxes**

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

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

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

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

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

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

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or

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- 2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

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

(s) Operating segments

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

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

In preparing these parent company only financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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

(a) Valuation of inventories

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

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(b) Recognition and measurement of provisions

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

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

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

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

(6) Explanation of significant accounts:

(a) **Cash and cash equivalents**

	December 31, 2024	December 31, 2023
Petty cash and cash on hand	\$ 1,367	795
Checking and demand deposits	1,220,851	2,249,705
Time deposits	<u>1,016,490</u>	<u>921,300</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 2,238,708</u>	<u>3,171,800</u>

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

(Continued)

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

	December 31, 2024	December 31, 2023
Notes receivable from operating activities	\$ 44	53
Notes receivable from operating activities-related parties	9,966	11,013
Less: Loss allowance	-	-
	<u>\$ 10,010</u>	<u>11,066</u>
Accounts receivable-measured at amortized cost	\$ 639,723	998,822
Accounts receivable from related parties-measured at amortized cost	5,239	7,688
Less: Loss allowance	(1,603)	(1,603)
	<u>\$ 643,359</u>	<u>1,004,907</u>

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

	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 461,030	0.02%	74
1 to 90 days past due	193,942	0.79%	1,529
91 to 180 days past due	-	-	-
181 to 360 days past due	-	-	-
Over 360 days past due	-	-	-
Total	<u>\$ 654,972</u>		<u>1,603</u>

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 921,311	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	<u>\$ 1,017,576</u>		<u>1,603</u>

(Continued)

REXON INDUSTRIAL CORP., LTD.
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(ii) The movement in the allowance for notes and accounts receivables were as follows:

	<u>2024</u>	<u>2023</u>
Balance at January 1 (which is balance at December 31)	\$ <u>1,603</u>	<u>1,603</u>

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

(c) **Other receivables**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other receivables	\$ 14,016	13,805
Other receivables-related parties	5,049	4,722
Less: Loss allowance	<u>(11,247)</u>	<u>(11,247)</u>
	<u>\$ 7,818</u>	<u>7,280</u>

(i) As of December 31, 2024 and 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:

	<u>2024</u>	<u>2023</u>
Balance on January 1 (which is balance at December 31)	\$ <u>11,247</u>	<u>11,247</u>

(d) **Inventories**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Finished goods	\$ 152,995	264,909
Work in progress	38,319	86,224
Materials	28,094	58,003
Parts	152,602	232,764
Merchandise	<u>3,716</u>	<u>4,318</u>
	<u>\$ 375,726</u>	<u>646,218</u>

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

	<u>2024</u>	<u>2023</u>
Inventory scrap loss	\$ 5,750	9,047
Inventory deficit	(114)	106
Revenue from sale of scraps	<u>(4,030)</u>	<u>(18,495)</u>
	<u>\$ 1,606</u>	<u>(9,342)</u>

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

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

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

	December 31, 2024	December 31, 2023
Subsidiary	\$ 918,386	911,367
Associates	16,305	16,163
	\$ 934,691	927,530

(i) Subsidiary

Please refer to the consolidated financial report of the 2024.

(ii) Associates

Affiliated company's information:

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

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

	December 31, 2024	December 31, 2023
Carrying amount of individually insignificant associates' equity	\$ 16,305	16,163
	2024	2023
Attributable to the Company:		
Profit from continuing operations	\$ 142	143
Other comprehensive income	-	-
Comprehensive income	\$ 142	143

(iii) As of December 31, 2024 and 2023, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

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REXON INDUSTRIAL CORP., LTD.
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(f) **Property, plant and equipment**

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2024 and 2023, 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>
Cost or deemed cost:						
Balance on January 1, 2024	\$ 1,161,609	2,116,889	712,264	726,184	119,787	4,836,733
Additions	-	11,561	5,024	10,209	4,832	31,626
Disposal	-	-	(2,340)	(50,027)	(19,032)	(71,399)
Reclassification	-	-	16,204	7,047	270	23,521
Balance on December 31, 2024	<u>\$ 1,161,609</u>	<u>2,128,450</u>	<u>731,152</u>	<u>693,413</u>	<u>105,857</u>	<u>4,820,481</u>
Balance on January 1, 2023	\$ 1,126,470	1,484,991	685,577	755,726	119,340	4,172,104
Additions	50,499	47,899	6,663	12,475	5,723	123,259
Disposal	(15,360)	(13,028)	(3,697)	(57,673)	(5,276)	(95,034)
Reclassification	-	597,027	23,721	15,656	-	636,404
Balance on December 31, 2023	<u>\$ 1,161,609</u>	<u>2,116,889</u>	<u>712,264</u>	<u>726,184</u>	<u>119,787</u>	<u>4,836,733</u>
Depreciation and impairment loss:						
Balance on January 1, 2024	\$ -	841,202	397,711	623,600	98,600	1,961,113
Depreciation for the year	-	83,809	86,335	60,070	7,740	237,954
Disposal	-	-	(2,104)	(39,361)	(16,138)	(57,603)
Impairment loss	-	-	43,735	-	-	43,735
Balance on December 31, 2024	<u>\$ -</u>	<u>925,011</u>	<u>525,677</u>	<u>644,309</u>	<u>90,202</u>	<u>2,185,199</u>
Balance on January 1, 2023	\$ -	755,447	313,433	565,999	93,408	1,728,287
Depreciation for the year	-	98,163	87,598	78,066	9,867	273,694
Disposal	-	(12,408)	(3,320)	(45,039)	(4,675)	(65,442)
Impairment loss	-	-	-	24,574	-	24,574
Balance on December 31, 2023	<u>\$ -</u>	<u>841,202</u>	<u>397,711</u>	<u>623,600</u>	<u>98,600</u>	<u>1,961,113</u>
Carrying amounts:						
Balance on December 31, 2024	<u>\$ 1,161,609</u>	<u>1,203,439</u>	<u>205,475</u>	<u>49,104</u>	<u>15,655</u>	<u>2,635,282</u>
Balance on January 1, 2023	<u>\$ 1,126,470</u>	<u>729,544</u>	<u>372,144</u>	<u>189,727</u>	<u>25,932</u>	<u>2,443,817</u>
Balance on December 31, 2023	<u>\$ 1,161,609</u>	<u>1,275,687</u>	<u>314,553</u>	<u>102,584</u>	<u>21,187</u>	<u>2,875,620</u>

- (i) In response to the need for expansion in the future, the Company bought the farmland near to its factory, costing \$316,060 thousand, but the ownership of the land is temporarily not allowed to be transferred to the Company because the farmland is legally for agricultural purpose. Therefore, the farmland now is registered in the name of a shareholder who has the identity of natural person and has been pledged to the Company for security concerns.
- (ii) As of December 31, 2024 and 2023, the Company recognized impairment loss of \$43,735 thousand and \$24,574 thousand for part of the carrying amount of machinery and mold equipment that are over the useful life and are expected to scrap.
- (iii) Gain or losses of disposal, please refer to Note 6(w).
- (iv) As of December 31, 2024 and 2023, property, plant and equipment of the Company had been pledged as collateral for long-term loans; please refer to note 8.

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

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

The Company leases many assets including land, buildings and vehicles, of which the details of change in cost and depreciation are presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance at January 1, 2024	\$ 27,981	-	20,393	48,374
Additions	-	-	11,356	11,356
Reductions	-	-	(14,474)	(14,474)
Balance at December 31, 2024	<u>\$ 27,981</u>	<u>-</u>	<u>17,275</u>	<u>45,256</u>
Balance at January 1, 2023	\$ 27,981	14,799	20,078	62,858
Additions	-	-	1,691	1,691
Reductions	-	(14,799)	(1,376)	(16,175)
Balance at December 31, 2023	<u>\$ 27,981</u>	<u>-</u>	<u>20,393</u>	<u>48,374</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2024	\$ 7,462	-	15,046	22,508
Depreciation for the year	2,798	-	5,870	8,668
Reductions	-	-	(14,474)	(14,474)
Balance at December 31, 2024	<u>\$ 10,260</u>	<u>-</u>	<u>6,442</u>	<u>16,702</u>
Balance at January 1, 2023	\$ 4,897	13,566	9,474	27,937
Depreciation for the year	2,565	1,233	6,948	10,746
Reductions	-	(14,799)	(1,376)	(16,175)
Balance at December 31, 2023	<u>\$ 7,462</u>	<u>-</u>	<u>15,046</u>	<u>22,508</u>
Carrying amount:				
Balance at December 31, 2024	<u>\$ 17,721</u>	<u>-</u>	<u>10,833</u>	<u>28,554</u>
Balance at January 1, 2023	<u>\$ 23,084</u>	<u>1,233</u>	<u>10,604</u>	<u>34,921</u>
Balance at December 31, 2023	<u>\$ 20,519</u>	<u>-</u>	<u>5,347</u>	<u>25,866</u>

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(h) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of the Company for the years ended December 31, 2024 and 2023, were as follows:

	Computer Software
Balance at January 1, 2024	\$ 156,233
Additions	16,159
Balance at December 31, 2024	\$ 172,392
Balance at January 1, 2023	\$ 141,301
Additions	14,932
Balance at December 31, 2023	\$ 156,233
Amortization and impairment Loss:	
Balance at January 1, 2024	\$ 140,535
Amortization for the year	17,784
Balance at December 31, 2024	\$ 158,319
Balance at January 1, 2023	\$ 121,875
Amortization for the year	18,660
Balance at December 31, 2023	\$ 140,535
Carrying value:	
Balance at December 31, 2024	\$ 14,073
Balance at January 1, 2023	\$ 19,426
Balance at December 31, 2023	\$ 15,698

(i) **Amortization**

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

	2024	2023
Operating cost	\$ 5,067	4,438
Operating expenses	12,717	14,222
	\$ 17,784	18,660

(ii) **Disclosure on pledges**

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

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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>December 31, 2024</u>	<u>December 31, 2023</u>
Other current assets:		
Prepayments	\$ 15,620	11,897
Business tax receivables	20,195	64,623
Others	<u>11,848</u>	<u>11,698</u>
	<u>\$ 47,663</u>	<u>88,218</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other non-current assets:		
Prepayments for equipment	\$ 37,462	40,570
Others	<u>1,338</u>	<u>2,851</u>
	<u>\$ 38,800</u>	<u>43,421</u>

(j) **Short-term borrowings**

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Unsecured bank loans	\$ 400,000	200,000
Secured bank loans	<u>-</u>	<u>300,000</u>
	<u>\$ 400,000</u>	<u>500,000</u>
Unused short-term credit lines	<u>\$ 3,400,000</u>	<u>3,300,000</u>
Range of interest rate	<u>1.75%~1.9263%</u>	<u>1.725%~1.918%</u>

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

(k) **Other current liabilities**

The details of other current liabilities were summarized as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Advance receipts	\$ 3,566	3,566
Temporary receipt	528,301	498,452
Others	<u>5,261</u>	<u>5,959</u>
	<u>\$ 537,128</u>	<u>507,977</u>

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

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The cancellation payment of temporary receipts is because the customer has reached an agreement with the Company and had received it in November 2022. The Company will then transfer the part of the payment to the supplier in the form of payment on behalf of others or receipts under custody with the agreement. As of December 31, 2023, the remaining balance of temporary receipts for the cancellation payment is \$204,767 thousand.

(l) **Long-term borrowings**

The details of long-term borrowings were as follows:

	December 31, 2024			
	Currency	Rate	Maturity year	Amount
Secured bank loans	NTD	1.8%~1.925%	2025~2027	\$ 181,667
Unsecured bank loans	NTD	1.2%~2.04%	2026	70,833
				252,500
Less : current portion				(165,000)
Total				\$ 87,500
Unused long-term credit lines				\$ -

	December 31, 2023			
	Currency	Rate	Maturity year	Amount
Secured bank loans	NTD	1.7%~1.85%	2024~2025	\$ 478,334
Unsecured bank loans	NTD	1.8%	2026	120,833
				599,167
Less: current portion				(446,667)
Total				\$ 152,500
Unused long-term credit lines				\$ -

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

(m) **Trade and notes payable**

	December 31, 2024	December 31, 2023
Trade payable	\$ 550,430	1,698,018
Notes payable	133,643	591,699
	\$ 684,073	2,289,717

(n) **Lease liabilities**

	December 31, 2024	December 31, 2023
Current	\$ 8,052	6,482
Non-current	\$ 20,898	19,704

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REXON INDUSTRIAL CORP., LTD.
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For the maturity analysis, please refer to note 6(w).

The amounts recognized in profit or loss were as follows:

	<u>2024</u>	<u>2023</u>
Interest on lease liabilities	\$ <u>353</u>	<u>317</u>

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

	<u>2024</u>	<u>2023</u>
Total cash outflow for leases	\$ <u>8,945</u>	<u>11,014</u>

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

(o) **Provisions**

	<u>Warranties</u>
Balance at January 1, 2024	\$ 246,173
Provisions made during the year	123,262
Provisions used during the year	<u>(171,082)</u>
Balance at December 31, 2024	<u>\$ 198,353</u>
Balance at January 1, 2023	\$ 201,389
Provisions made during the year	144,349
Provisions used during the year	<u>(99,565)</u>
Balance at December 31, 2023	<u>\$ 246,173</u>

The provision for warranties relates mainly to automatic facilities and fitness equipment sold during the years ended December 31, 2024 and 2023. The provision is based on estimates made from historical defect rate associated with similar products and services. The Company expects to settle the liability over the next two quarters.

(p) **Employee benefits**

(i) Defined benefit plans

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

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Present value of the defined benefit obligations	\$ 126,541	156,035
Fair value of plan assets	<u>(367,321)</u>	<u>(376,175)</u>
Net defined benefit asset	<u>\$ (240,780)</u>	<u>(220,140)</u>

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The Company's employee benefit liabilities were as follows:

	December 31, 2024	December 31, 2023
Vacation liability	<u>\$ 16,108</u>	<u>16,108</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$367,321 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Defined benefit obligations at January 1	\$ 156,035	167,923
Current service costs and interest cost	2,881	3,526
Remeasurements of the net defined benefit liability (asset)		
— Due to experience adjustments of actuarial (losses) gains	8,655	(10,453)
— Due to changes in financial assumption of actuarial (losses) gains	7,007	1,855
Benefits paid	<u>(48,037)</u>	<u>(6,816)</u>
Defined benefit obligations at December 31	<u>\$ 126,541</u>	<u>156,035</u>

(Continued)

REXON INDUSTRIAL CORP., LTD.
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3) Movements of defined benefit plan assets

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

	<u>2024</u>	<u>2023</u>
Fair value of plan assets at January 1	\$ 376,175	373,928
Interest income	6,098	6,541
Remeasurement of the net defined benefit liability (asset)		
— Return on plan assets (excluding interest income)	32,187	1,657
Benefits paid	898	865
Expected return on plan assets	<u>(48,037)</u>	<u>(6,816)</u>
Fair value of plan assets at December 31	<u><u>\$ 367,321</u></u>	<u><u>376,175</u></u>

4) Expenses recognized in profit or loss

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

	<u>2024</u>	<u>2023</u>
Current service costs	\$ 367	599
Net interest of net liabilities (asset) for defined benefit obligations	<u>(3,584)</u>	<u>(3,614)</u>
	<u><u>\$ (3,217)</u></u>	<u><u>(3,015)</u></u>
	<u>2024</u>	<u>2023</u>
Recognized pension expenses	<u><u>\$ (3,217)</u></u>	<u><u>(3,015)</u></u>

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

The Company's remeasurement in the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Cumulative amount at January 1	\$ 1,774	(8,481)
Recognized during the period	<u>16,525</u>	<u>10,255</u>
Accumulated amount at December 31	<u><u>\$ 18,299</u></u>	<u><u>1,774</u></u>

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REXON INDUSTRIAL CORP., LTD.
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6) Actuarial assumptions

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate	2.000 %	1.625 %
Future salary increase rate	3.000 %	2.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$891 thousand.

The weighted average lifetime of the defined benefit plans is 11.09 years.

7) Sensitivity analysis

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

	<u>Influences of defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2023		
Discount rate	\$ (2,984)	3,084
Future salary increases	2,983	(2,903)
December 31, 2022		
Discount rate	\$ (3,680)	3,803
Future salary increases	3,700	(3,599)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2024 and 2023.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$18,243 thousand and \$17,990 thousand for the years ended December 31, 2024 and 2023, respectively.

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(q) **Income taxes**

(i) Income tax expense (benefit)

The components of income tax in the years 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Current tax expense (benefit)		
Current period	\$ 73,811	61,549
Adjustment for prior periods	(3)	2,241
	<u>\$ 73,808</u>	<u>63,790</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	8,634	37,210
Income tax expense (benefit)	<u>\$ 82,442</u>	<u>101,000</u>

The amounts of income tax recognized directly in other comprehensive income for 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation	<u>\$ 8,291</u>	<u>(2,094)</u>

Reconciliation of income tax and profit before tax for 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Profit excluding income tax	<u>\$ 401,274</u>	<u>409,768</u>
Income tax using the Company's domestic tax rate	\$ 80,254	81,953
Other tax effect generated from adjustment in tax rate	(9,637)	(1,173)
Non-deductible expenses	-	1,162
Tax effect of investment loss generated from investment accounted for using equity method	(10)	(1,929)
Changes in unrecognised temporary differences	8,747	18,654
Recognition of previously unrecognized tax gains	(3)	2,241
Additional tax on undistributed earnings	3,091	-
Other	-	92
Income tax expense (benefit)	<u>\$ 82,442</u>	<u>101,000</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Tax effect of deductible temporary differences	<u>\$ 32,512</u>	<u>23,765</u>

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

Changes in the amount of deferred tax assets and liabilities for 2024 and 2023 were as follows:

	<u>Unrealized inventory valuation loss</u>	<u>Provision</u>	<u>Unrealized investment loss</u>	<u>Loss deductions</u>	<u>Exchange on translation of foreign financial statement</u>	<u>Other</u>	<u>Total</u>
Deferred tax assets:							
Balance at January 1, 2024	\$ 15,606	49,235	16,199	-	23,301	28,423	132,764
Recognized in profit or loss	-	(9,564)	6,935	-	-	(6,005)	(8,634)
Recognized in other comprehensive income	-	-	-	-	(8,291)	-	(8,291)
Balance at December 31, 2024	<u>\$ 15,606</u>	<u>39,671</u>	<u>23,134</u>	<u>-</u>	<u>15,010</u>	<u>22,418</u>	<u>115,839</u>
Balance at January 1, 2023	\$ 15,606	40,278	7,608	61,388	21,207	21,793	167,880
Recognized in profit or loss	-	8,957	8,591	(61,388)	-	6,630	(37,210)
Recognized in other comprehensive income	-	-	-	-	2,094	-	2,094
Balance at December 31, 2023	<u>\$ 15,606</u>	<u>49,235</u>	<u>16,199</u>	<u>-</u>	<u>23,301</u>	<u>28,423</u>	<u>132,764</u>

3) Assessment of tax

The income tax returns of the Company for the years through 2022 were assessed by the tax authorities.

(r) **Capital and other equity**

As of December 31, 2024 and 2023, the authorized capital totaled \$3,800,000 thousand, and the total paid-in capital amounted to \$1,814,735 thousand with a par value of NT\$10 per share on common stock.

Reconciliation of shares outstanding for the years ended December 31, 2024 and 2023 were as follows:

(In thousands of shares)	<u>Ordinary shares</u>	
	<u>2024</u>	<u>2023</u>
Balance at January 1 (which is balance at December 31)	<u>181,473</u>	<u>181,473</u>

(Continued)

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

Balance of capital surplus was as following:

	December 31, 2024	December 31, 2023
Treasury share transactions	\$ 433	433
Changes in the net equity value of subsidiaries recognized using the equity method	153	153
	\$ 586	586

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

(ii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

In accordance with the requirement of Financial Supervisory Commission, a portion of earnings shall be allocated as special earnings reserve during earnings distribution. The special earnings reserve was distributed from the current undistributed earnings, which was income after income tax plus other items, and undistributed earnings of prior period. A portion of undistributed priorperiod earnings shall be reclassified as special earnings reserve and does not qualify for earnings distribution to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve was \$152,298 thousand and \$143,923 thousand for the years ended December 31, 2024 and 2023, respectively.

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

3) Earnings distribution

The amounts of cash dividends on the appropriation of earnings for 2023 and 2022 had been approved during the board meeting on February 27, 2024 and March 15, 2023, respectively. These earnings were appropriated as follows:

	<u>2023</u>		<u>2022</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>1.2</u>	<u>217,768</u>	<u>-</u>	<u>-</u>

The amounts of cash dividends on the appropriation of earnings for 2023 had been approved during the board meeting on February 27, 2024, as follow:

	<u>2024</u>	
	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ <u>1.00</u>	<u>181,473</u>

(iii) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2024	\$ (152,298)
Effects of retrospective application	<u>33,163</u>
Balance at December 31, 2024	<u>\$ (119,135)</u>
Balance at January 1, 2023	\$ (143,923)
Exchange differences on foreign operations	<u>(8,375)</u>
Balance at December 31, 2023	<u>\$ (152,298)</u>

(Continued)

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

The details on the calculation of basic earnings (loss) per share and diluted earnings per share for years 2024 and 2023 were as follows:

Basic earnings (loss) per share

	<u>2024</u>	<u>2023</u>
Net (loss) profit attributable to ordinary shareholders of the Company	\$ <u>318,832</u>	<u>308,768</u>
Weighted-average number of ordinary shares	<u>181,473</u>	<u>181,473</u>
	\$ <u>1.76</u>	<u>1.70</u>

Diluted earnings (loss) per share

Net (loss) profit attributable to ordinary shareholders of the Company	\$ <u>318,832</u>	<u>308,768</u>
Weighted-average number of ordinary shares	181,473	181,473
Effect of employee share bonus(diluted)	<u>1,497</u>	<u>701</u>
Weighted average number of ordinary shares (diluted)	<u>182,970</u>	<u>182,174</u>
	\$ <u>1.74</u>	<u>1.69</u>

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

(i) Details of revenue

	<u>2024</u>	<u>2023</u>
<u>Primary geographical markets</u>		
America	\$ 5,543,398	5,887,081
Europe	250,040	598,626
Asia	227,235	82,148
Other	<u>(5,689)</u>	<u>57,022</u>
	\$ <u>6,014,984</u>	<u>6,624,877</u>
<u>Major products/services lines</u>		
Woodworking tools	\$ 952,697	720,951
Fitness equipment	4,648,248	5,039,521
Other	<u>414,039</u>	<u>864,405</u>
	\$ <u>6,014,984</u>	<u>6,624,877</u>

(ii) Contract balances

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Contract liabilities	\$ <u>40,870</u>	<u>49,191</u>	<u>27,552</u>

(Continued)

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

The amount of revenue recognized for the years ended December 31, 2024 and 2023 that was included in the contract liability balance at the beginning of the period were \$23,095 thousand and \$4,044 thousand, respectively.

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

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

(u) Remunerations to employees, directors and supervisors

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

For the years ended December 31, 2024 and 2023, the Company estimated its employee remuneration amounting to \$45,297 thousand and \$36,189, and directors' and supervisors' remuneration both amounting to \$6,400, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2024 and 2023.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income for years 2024 and 2023 were as follows:

	2024	2023
Interest income – bank deposits	\$ <u>72,579</u>	<u>25,251</u>

(ii) Other income

The details of other income for years 2024 and 2023 were as follows:

	2024	2023
Rent income	\$ 5,589	5,589
Other	<u>26,777</u>	<u>27,402</u>
	\$ <u>32,366</u>	<u>32,991</u>

(Continued)

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

The details of other income and losses for years 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Net foreign exchange gains (losses)	\$ 140,433	(67,733)
Net losses on disposal of property, plant and equipment	(13,005)	(8,126)
Impairment loss on property, plant and equipment	(43,735)	(24,574)
Others	<u>(2,800)</u>	<u>-</u>
Net other income and losses	<u>\$ 80,893</u>	<u>(100,433)</u>

(iv) Finance expenses

The details of finance expenses for years 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Interest expenses	\$ (13,554)	(24,733)
Less: capitalization of interest	<u>-</u>	<u>1,760</u>
	<u>\$ (13,554)</u>	<u>(22,973)</u>

(w) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

Major clients of the Company are concentrated in automatic facilities and fitness machines market. Sales to the major clients in 2024 and 2023 are accounted for 60% and 78% of revenue, respectively. To minimize credit risk, the Company periodically evaluates their financial positions and requests collateral if deemed necessary. As of December 31, 2023 and 2022, three customers accounted for 82% and 90% respectively of notes receivable and accounts receivable, which resulted in concentration of credit risk.

3) Receivables

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

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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>1-12months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2024						
Non-derivative financial liabilities						
Secured bank loans	\$ 181,667	256,579	167,865	63,473	25,241	-
Unsecured loans	470,833	401,748	401,748	-	-	-
Leased liabilities (current and non-current)	28,950	35,950	8,052	7,000	17,247	3,651
Other payables	<u>1,894,203</u>	<u>1,894,203</u>	<u>1,894,203</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,575,653</u>	<u>2,588,480</u>	<u>2,471,868</u>	<u>70,473</u>	<u>42,488</u>	<u>3,651</u>
December 31, 2023						
Non-derivative financial liabilities						
Secured bank loans	\$ 778,334	907,614	754,100	132,600	20,914	-
Unsecured loans	320,833	201,324	201,324	-	-	-
Lease liabilities (current and non-current)	26,186	27,013	6,726	4,479	9,193	6,615
Other payables	<u>3,391,080</u>	<u>3,391,080</u>	<u>3,391,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,516,433</u>	<u>4,527,031</u>	<u>4,353,230</u>	<u>137,079</u>	<u>30,107</u>	<u>6,615</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2024</u>			<u>December 31, 2023</u>		
	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>TWD</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 78,179	32.79	2,563,489	124,292	30.71	3,817,007
EUR	10	34.14	341	15	33.98	510
JPY	10,734	0.2099	2,253	210,412	0.2172	45,701
GBP	5	41.19	206	5	39.15	196

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REXON INDUSTRIAL CORP., LTD.
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	December 31, 2024			December 31, 2023		
	Foreign Currency	Exchange Rates	TWD	Foreign Currency	Exchange Rates	TWD
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	2,629	32.79	86,205	10,255	30.71	314,931
EUR	227	34.14	7,750	224	33.98	7,612

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, borrowings, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the TWD against the USD, EUR, JPY, and GBP as of December 31, 2024 and 2023 would have increased (decreased) the net profit after tax by \$19,778 thousand and \$28,327 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.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2024 and 2023, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$140,433 thousand and \$(67,733) thousand, respectively.

(iv) Interest rate analysis

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

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

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

If the interest rate had increased/decreased by 1%, with all other variable factors remaining constant, the Company's net income would have increased/decreased by \$5,220 thousand and \$8,793 thousand for the years ended December 31, 2024 and 2023, respectively. This is mainly due to the Company's borrowings in variable rates.

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	December 31, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Short-term borrowings	\$ 500,000	-	-	-	-
Notes payable, accounts payable, and other payable(including related parties)	3,391,080	-	-	-	-
Long-term borrowings, due 1 year portion	446,667	-	-	-	-
Loan-term borrowings	152,500	-	-	-	-
Lease liabilities	26,186	-	-	-	-
	\$ 4,516,433	-	-	-	-

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

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

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

3) Valuation techniques for financial instruments measured at fair value.

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

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

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

4) Transfer between Level 1 and Level 2

There were no transfers from one level to another in 2024 and 2023.

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

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

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

(x) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

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REXON INDUSTRIAL CORP., LTD.
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1) Accounts receivable and other receivables

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

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

2) Investments

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

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiaries. As of December 31, 2024 and 2023, the Company provided financial guarantee to its subsidiaries in the amount to \$0 and \$61,420 thousand, respectively.

(iv) Liquidity risk

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

Loans and borrowings from the bank form an important source of liquidity for the Company. The Company has unused long-term and short-term credit line of \$3,400,000 thousand and \$3,300,000 thousand as of December 31, 2024 and 2023, respectively.

(v) Market risk

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

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REXON INDUSTRIAL CORP., LTD.
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1) Currency risk

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

2) Interest rate risk

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

(y) **Capital management**

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

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

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

As of December 31, 2024, the Company's capital management strategy is consistent with the prior year as of December 31, 2023. The Company's debt to equity ratio as of December 31, 2024 and 2023, were as follows:

	December 31, 2024	December 31, 2023
Total liabilities	\$ 3,387,640	5,379,079
Less: cash and cash equivalents	(2,238,708)	(3,171,800)
Net debt	1,148,932	2,207,279
Total equity	3,945,057	3,794,305
Adjusted equity	\$ 5,093,989	6,001,584
Debt-to-equity ratio	23%	37%

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

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1,2024</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31,2024</u>
			<u>Acquisition</u>	<u>Changes in lease payments</u>	<u>Foreign exchange movement</u>	
Long-term borrowings (Including due within 1 year)	\$ 599,167	(346,667)	-	-	-	252,500
Short-term borrowings	500,000	(100,000)	-	-	-	400,000
Lease liabilities	<u>26,186</u>	<u>(8,592)</u>	<u>11,356</u>	<u>-</u>	<u>-</u>	<u>28,950</u>
Total liabilities from financing	<u>\$ 1,125,353</u>	<u>(455,259)</u>	<u>11,356</u>	<u>-</u>	<u>-</u>	<u>681,450</u>

	<u>January 1,2023</u>	<u>Cash flows</u>	<u>Non-cash changes</u>			<u>December 31,2023</u>
			<u>Acquisition</u>	<u>Changes in lease payments</u>	<u>Foreign exchange movement</u>	
Long-term borrowings (Including due within 1 year)	\$ 989,167	(390,000)	-	-	-	599,167
Short-term borrowings	700,000	(200,000)	-	-	-	500,000
Lease liabilities	<u>35,192</u>	<u>(10,697)</u>	<u>1,691</u>	<u>-</u>	<u>-</u>	<u>26,186</u>
Total liabilities from financing	<u>\$ 1,724,359</u>	<u>(600,697)</u>	<u>1,691</u>	<u>-</u>	<u>-</u>	<u>1,125,353</u>

(7) Related-party transactions:

(a) Names and relationship with the Company

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

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

(Continued)

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

(b) Significant transactions with related parties

(i) Sale of goods to related parties

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

	<u>2024</u>	<u>2023</u>
Associates – Fine Clear	\$ 46,818	36,037
Subsidiaries – Other	<u>327</u>	<u>7,216</u>
	<u>\$ 47,145</u>	<u>43,253</u>

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

ii) Purchase of goods from related-parties

	<u>2024</u>	<u>2023</u>
Subsidiaries – Tongxiang Rxon	\$ 761,469	530,534
Subsidiaries – Rxon Tech	<u>87,644</u>	<u>104,951</u>
	<u>\$ 849,113</u>	<u>635,485</u>

In 2024 and 2023, the subsidiaries were purchased the parts from the company \$6,023 thousand and \$8,956 thousand. The amount is not counted as the Company's revenue. Such part of sale of the parts was already being written-off against the cost of goods purchased of the parts in the financial statements.

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

iii) Receivables from related-parties

<u>Account</u>	<u>Related-party type</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Notes receivable	Associates – Fine Clear	\$ <u>9,966</u>	<u>11,013</u>
Accounts receivable	Associates – Fine Clear	\$ 5,239	5,934
Accounts receivable	Subsidiaries – P.T.S	<u>-</u>	<u>1,754</u>
		<u>\$ 5,239</u>	<u>7,688</u>
Other receivables	Subsidiaries- Rxon Tech	\$ 8	-
Other receivables	Subsidiaries – Tongxiang Rxon	<u>5,041</u>	<u>4,722</u>
		<u>\$ 5,049</u>	<u>4,722</u>

(Continued)

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

iv) Payables to related-parties

<u>Account</u>	<u>Related-party type</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Notes payable	Associates – Fine Clear	\$ <u>170</u>	<u>61</u>
Accounts payables	Subsidiaries – Tongxiang Rexon	\$ 271,409	234,309
Accounts payables	Subsidiaries – Rexon Tech	<u>6,372</u>	<u>38,307</u>
		<u>\$ 277,781</u>	<u>272,616</u>
Other payables	Subsidiaries – P.T.S	\$ 132,335	109,596
Other payables	Subsidiaries – Tongxiang Rexon	1,023	56
Other payables	Subsidiaries – Rexon Tech	-	1
Other payables	Associates – Fine Clear	<u>24</u>	<u>116</u>
		<u>\$ 133,382</u>	<u>109,769</u>

Other payables to Subsidiaries – P.T.S consist of various operating expense that Subsidiaries – P.T.S has paid in advance for the Company. The amounts of other payables are \$132,335 thousand and \$109,596 thousand, respectively, on December 31, 2024 and 2023.

v) Prepayments

<u>Related-party type</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary:		
PTS	\$ <u>358</u>	<u>-</u>

vi) Guarantee and endorsements

As of December 31, 2024 and 2023, the Company had provided a guarantee for loans taken out by subsidiaries-Tongxiang Rexon. The credit limit of the guarantee was all \$61,420 thousand.

vii) Service fee

In 2024 and 2023, the Company's Service fee to subsidiaries due to sales to foreign manufactures whom subsidiaries provide service for is as follows:

	<u>Service fee</u>	
	<u>2024</u>	<u>2023</u>
Subsidiaries – P.T.S	\$ <u>38,469</u>	<u>46,694</u>

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 25,473	24,425
Post-employment benefits	1,111	1,065
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 26,584</u>	<u>25,490</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Land	Guarantee for bank loans	\$ 296,916	296,916
Buildings	Guarantee for bank loans	483,105	522,935
		<u>\$ 780,021</u>	<u>819,851</u>

(9) Significant commitments and contingencies

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Acquisition of property, plant and equipment	\$ 35,618	15,371

ii) Other:

The Company received civil complaint of trade price and notice trial which Yi-Zong Hardware Co., Ltd. claim that the Company should pay \$37,084 and \$900 thousand for purchase. The complaint is on trial in Taiwan Taichung District Court and High Court, therefore, the Company has not estimated relevant provisions and does not expect material impact in the Company's operation and business.

(10) Losses due to major disasters:None.

(11) Subsequent events:

On January 21, 2025, the company's board of directors decided to invest in establishing a subsidiary in Vietnam, with a total expected investment amount of USD 20,000 thousands.

(Continued)

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

(12) Other

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

By function	2024			2023		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	289,385	181,826	471,211	293,964	180,195	474,159
Labor and health insurance	34,405	14,625	49,030	33,531	15,045	48,576
Pension	814	14,213	15,027	13,988	987	14,975
Remuneration of directors	-	6,400	6,400	-	6,400	6,400
Others	5,872	1,576	7,448	5,266	1,437	6,703
Depreciation	218,370	28,252	246,622	249,807	34,633	284,440
Amortization	5,067	12,717	17,784	4,438	14,222	18,660

Additional information of the number of employees and employees benefits of the Company in 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
The number of employees	<u>735</u>	<u>758</u>
The number of directors excluding the employees	<u>5</u>	<u>5</u>
The average of employees' benefit	<u>\$ 743</u>	<u>723</u>
The average of salary	<u>\$ 645</u>	<u>630</u>
The average of salary adjustment	<u>2%</u>	<u>29%</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

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

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

(Continued)

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

(13) Other disclosures

(a) Information on significant transactions

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

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

(Amounts in Thousands of New Taiwan Dollar)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	2	1,578,023	(USD2,000) 65,680	-	-	-	- %	1,578,023	Y	N	Y

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

Note2 : No.0 represents the parent company.

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

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

(iii) Securities held as of December 31, 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 through profit or loss-current	10	96	-	96	

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

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	The subsidiary	Purchase	761,469	18 %	90~150Days	Note 1	Note 2	(271,409)	28%	

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

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

(Continued)

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

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

Name of company	Name of Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tongxiang Rexon	REXON INDUSTRIAL CORP., LTD.	Parent company	Account receivable 271,409	3.01%	-	-	The recovery amount as of February 26, 2025 : 158,327	-

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the year ended December 31, 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 December 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 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 %	16,305	888	142	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 %	107,614	290	239	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 %	174,707	3,283	3,152	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 %	636,065	(37,826)	(37,826)	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 %	615,409	(37,848)	(37,848)	Direct subsidiaries of Gold Item

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

(c) Information on investment in mainland China:

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

(Amounts in Thousands of New Taiwan Dollar)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of December 31, 2022	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow						
Tongxiang Rexon	Manufacture of drills, woodworking tools and fitness equipment	RMB 154,465 (USD25,000)	Note 1	USD 25,000 (NTD745,565)	-	-	USD 25,000 (NTD745,565)	(37,848)	100%	(37,848)	615,409	-

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$25,000 (NT\$745,565)	US\$25,000 (NT\$745,565)	2,267,034

(iii) Significant transactions:

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

(Continued)

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Kun-Ju Co., Ltd.		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

Please refer to 2024 consolidated financial report.

(Continued)

REXON INDUSTRIAL CORP., LTD.**Statement of cash and cash equivalents****December 31, 2024****(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash	\$ 300
	Foreign currency cash on hand	<u>1,067</u>
	Subtotal	<u>1,367</u>
Cash in bank	Foreign currency deposit	
	USD 25,525,909.92×32.79	
	JPY 6,702,818×2.099	
	EUR 9,873.92×34.14	
	GBP 4,822.08×41.19)	838,937
	Demand deposits and checking deposits	381,914
	Foreign currency fixed deposit (USD 31,000,000×32.79)	<u>1,016,490</u>
	Subtotal	<u>2,237,341</u>
		<u>\$ 2,238,708</u>

REXON INDUSTRIAL CORP., LTD.

Statement of financial assets measured at fair value through profit or loss - current

December 31, 2024

(In thousands of New Taiwan Dollars)

Financial Instruments	Description	Shares (in thousand)	Unit cost (dollar)	Costs	Fair Value	
					Unit price (dollar)	Total
<u>Non derivative financial instruments</u>						
Hwa Chung Venture Capital Corp.	Ordinary shares	10.00	9.60	96	9.60	96
				96		96
				\$ 96		\$ 96

Rexon Industrial Corp., Ltd.
Statement of notes and accounts receivables
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Customer</u>	<u>Description</u>	<u>Amount</u>
Notes receivable:		
Company G	Operating income of non related parties	\$ <u>44</u>
Accounts receivable:	Operating income of non related parties	
Company D	"	250,566
Company A	"	142,879
Company B	"	129,111
Other (Note2)	"	<u>117,167</u>
Total		639,723
Less: Loss allowance		<u>(1,603)</u>
Net amount		<u>638,120</u>
		<u>\$ 638,164</u>

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

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

REXON INDUSTRIAL CORP., LTD.

Statement of inventories

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Market Value
Automatic facilities and fitness equipment		
Finished goods	\$ 160,329	186,255
Work in progress	39,082	38,993
Raw materials	28,428	33,934
Parts	221,989	233,283
Merchandise	3,926	4,371
	453,754	496,836
Less: Loss allowance	(78,028)	
	\$ 375,726	

Statement of other current assets

Item	Description	Amount
Prepayment	Prepayments to suppliers	\$ 6,910
	Supplies inventory, prepaid insurance and others	8,710
		15,620
Tax receivables	Bussiness tax receivables	20,195
Tax receivables	Payment of mold development and others	11,848
		\$ 47,663

REXON INDUSTRIAL CORP., LTD.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2024

(In thousands of New Taiwan Dollars)

<u>Investee name</u>	<u>Beginning balance</u>		<u>Addition</u>		<u>Decrease (Note1)</u>		<u>Other movements</u>			<u>Ending balance</u>		<u>Pledged as collateral</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Share of profit (loss) from Equity Method</u>	<u>Exchange differences on translations of foreign financial statements</u>	<u>Others</u>	<u>Shares</u>	<u>Percentage of ownership</u>		<u>Amount</u>
Power Tool Specialists Inc.	0.1	\$ 162,149	-	-	-	-	3,152	9,406	-	0.1	96.00	174,707	None
Rexon Technology Corp.,Ltd	7,851	107,375	-	-	-	-	239	-	-	7,851	82.87	107,614	None
Fine Clear Co.,Ltd	1,600	16,163	-	-	-	-	142	-	-	1,600	16.00	16,305	None
Gold Item Group Limited	-	<u>641,843</u>	-	<u>-</u>	-	<u>-</u>	<u>(37,826)</u>	<u>32,048</u>	<u>-</u>	-	-	<u>636,065</u>	None
		<u>\$ 927,530</u>		<u>-</u>		<u>-</u>	<u>(34,293)</u>	<u>41,454</u>	<u>-</u>			<u>934,691</u>	

Note 1 : The amount is dividends revenue in 2024.

REXON INDUSTRIAL CORP., LTD.

Statement of changes in property, plant and equipment

For the year ended December 31, 2024

(In thousands of New Taiwan Dollars)

Related information for PP&E financial report please refers to Note 4 (j) and Note 6 (f).

Statement of other non-current assets

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Prepaid equipment	Prepayment for the purchase of equipment	\$ 37,462
	Other deferred charges	<u>1,338</u>
		<u>\$ 38,800</u>

Statement of short-term borrowings

<u>Creditor</u>	<u>Type of loan</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Interest rate</u>
Hua Nan Commercial Bank, Ltd.	Credit loan	\$ 100,000	Due within one year	1.785%
Chang Hwa Commercial Bank, Ltd.	Credit loan	100,000	Due within one year	1.75%
Bank of Taiwan	Credit loan	100,000	Due within one year	1.81%
Taiwan Cooperative Bank	Credit loan	<u>100,000</u>	Due within one year	1.9263%
		<u>\$ 400,000</u>		

REXON INDUSTRIAL CORP., LTD.

Statement of notes payable and account payable

December 31, 2024

(In thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes payable:	Operating	
Company A	Operating	\$ 22,152
Company I	Operating	15,111
Company H	Operating	9,373
Company C	Operating	7,703
Others (Note 2)	Operating	<u>79,304</u>
		<u>\$ 133,643</u>
Accounts payable:	Operating	
Company J	Operating	27,726
Others (Note 2)	Operating	<u>522,704</u>
		<u>\$ 550,430</u>
		<u>\$ 684,073</u>

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

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

Rexon Industrial Corp., Ltd.
Statement of other payable and other current
liabilities
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other payables	Advertising fee	\$ 531,423
	Employee year end bonuses, payroll and non leave bonuses	87,571
	Employee and director compensation	51,697
	Other(Note)	<u>128,106</u>
		<u>\$ 798,797</u>
Other current liabilities	Temporary collection of sales customer order cancellation fees	204,767
	Received from mold sharing payment and others	323,534
	Collections and other advance receipts	<u>8,827</u>
		<u>\$ 537,128</u>

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

REXON INDUSTRIAL CORP., LTD.

Statement of long-term Borrowings

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Borrowing Amount</u>		<u>Due date</u>	<u>Interest Rate</u>	<u>Collateral</u>
	<u>Due wihtin one year</u>	<u>Due more than one year</u>			
Hua Nan Bank	\$ 5,000	-	2020.02.27~2025.02.15, payment starting from 2023.03.15, monthly payment for 24 months.	1.825%	Land, Buildings
Hua Nan Bank	15,000	-	2020.03.18~2025.02.15, payment starting from 2023.03.15, monthly payment for 24 months	1.825%	Land, Buildings
Hua Nan Bank	11,400	-	2020.04.17~2025.04.15, payment starting from 2023.05.15, monthly payment for 24 months.	1.825%	Land, Buildings
Hua Nan Bank	25,267	-	2021.12.17~2025.04.15, payment starting from 2023.05.15, monthly payment for 24 months.	1.825%	Land, Buildings
Hua Nan Bank	25,000	-	2022.01.04~2025.01.04, payment starting from 2023.04.04, monthly payment for 24 months.	1.825%	Land, Buildings
Hua Nan Bank	33,333	66,667	2024.10.01~2027.10.01, payment starting from 2025.01.01, every three months payment for 12 months.	2.04%	Land, Buildings
Chang Hwa Bank	50,000	20,833	2022.05.18~2026.05.18, payment starting from 2022.06.18, monthly payment for 48 months.	1.93%	None
	<u>\$ 165,000</u>	<u>87,500</u>			

REXON INDUSTRIAL CORP., LTD.**Statement of operating revenue****For the year ended December 31, 2024****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity(unit/piece)</u>	<u>Amount</u>
Automatic facilities	287,047	\$ 952,697
Fitness equipment	344,641	4,648,248
Others		<u>414,039</u>
		<u>\$ 6,014,984</u>

REXON INDUSTRIAL CORP., LTD.

Statement of operating costs

For the year ended December 31, 2024

(In thousands of New Taiwan Dollars)

Item	Amount
Finished goods, beginning of year	\$ 4,724
Add: Purchases	732,709
Less: finished goods, ending of year	(3,926)
Others	(364)
Cost of good sold	733,143
Raw materials, beginning of year	60,407
Add: Purchases	202,523
Profit	134
Less: Raw materials, end of year	(28,428)
Scrap loss	(32)
Others	(955)
Raw materials used	233,649
Parts, beginning of year	302,697
Add: Purchases	3,309,867
Direct Labor	41,823
Manufacturing expenses	73,716
Less: Sold	(332,392)
Scrap loss	(4,223)
Loss	(20)
Others	(12,749)
Parts, end of year	(221,989)
Work in progress Cost	3,390,379
Add: WIP, beginning of year	87,530
Direct labor	191,327
Manufacturing Expenses	374,704
Less: WIP, end of year	(39,082)
Finished goods cost	4,004,858
Add: Finished goods, beginning of year	268,888
Less: Others	(4,798)
Scrap loss	(1,495)
Finished goods, end of year	(160,329)
Cost of sales from manufacturing	4,107,124
Cost of raw materials and parts sold	332,392
Scrap loss	5,750
Revenue from sale of scraps	(4,030)
Profit	(114)
Operating cost	\$ 5,174,265

REXON INDUSTRIAL CORP., LTD.**Statement of operating expenses****For the year ended December 31, 2024****(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling expense</u>	<u>Administration expense</u>	<u>Research and development expense</u>
Salaries	\$ 33,184	61,887	86,755
Shipping and export expense	36,412	1	66
Service expense	87,793	-	-
Donation	103,484	227	304
Advertising fee	-	10,434	-
Depreciation	1,562	17,978	8,712
Labor costs	-	18,917	370
Research expense	-	-	26,832
Others (Note)	<u>11,646</u>	<u>41,344</u>	<u>29,528</u>
Total	<u>\$ 274,081</u>	<u>150,788</u>	<u>152,567</u>

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

Statement of non-operating income and expenses

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