

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2025 and 2024**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	12~34
(7) Related-party transactions	34~36
(8) Pledged assets	36
(9) Significant commitments and contingencies	36
(10) Losses due to major disasters	36
(11) Subsequent events	36
(12) Other	37
(13) Other disclosures	
(a) Information on significant transactions	38~39
(b) Information on investees	39~40
(c) Information on investment in Mainland China	40
(14) Segment information	40



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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Rexion Industrial Corp., Ltd. and its subsidiaries as of June 30, 2025 and 2024, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2025 and 2024, as well as the changes in equity and cash flows for the six months ended June 30, 2025 and 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$559,130 thousand and \$204,502 thousand, constituting 8% and 3% of consolidated total assets as of June 30, 2025 and 2024, respectively, total liabilities amounting to \$57,605 thousand and \$50,519 thousand, constituting 2% and 1% of consolidated total liabilities as of June 30, 2025 and 2024, respectively, and total comprehensive income(loss) amounting to \$(41,657) thousand, \$(31,256) thousand, \$(70,417) thousand and \$(74,089) thousand, constituting 28%, (30)%, 55% and (20)% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2025 and 2024, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Rexion Industrial Corp., Ltd. and its subsidiaries in its investee companies of \$108,342 thousand and \$16,167 thousand as of June 30, 2025 and 2024, respectively, and its equity in net earnings on these investee companies of \$(672) thousand, \$2 thousand, \$(657) thousand and \$4 thousand for the three months and six months ended June 30, 2025 and 2024, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of June 30, 2025 and 2024, and of its consolidated financial performance for the three months and six months ended June 30, 2025 and 2024, as well as its consolidated cash flows for the six months ended June 30, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

August 6, 2025

Notes to Readers

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

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

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

Consolidated Balance Sheets

June 30, 2025, December 31, 2024, and June 30, 2024

(Expressed in thousands of New Taiwan Dollar)

Assets		June 30, 2025		December 31, 2024		June 30, 2024		Liabilities and Equity		June 30, 2025		December 31, 2024		June 30, 2024	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 2,109,314	29	2,372,119	32	2,384,843	31	2100	Short-term borrowings (note 6(j) and 8)	\$ 650,347	9	536,845	7	63,745	1
1110	Current financial assets at fair value through profit or loss	96	-	96	-	96	-	2130	Current contract liabilities (note 6(t))	59,214	1	49,673	1	73,462	1
1150	Notes receivable, net (note 6(b))	700	-	1,904	-	1,333	-	2150	Notes payable	162,308	2	143,986	2	233,517	3
1160	Notes receivable due from related parties, net (note 6(b) and 7)	9,589	-	9,966	-	15,216	-	2160	Notes payable to related parties (note 7)	544	-	170	-	385	-
1170	Accounts receivable, net (note 6(b))	529,519	7	649,993	9	749,694	10	2170	Accounts payable	807,897	11	719,432	11	1,004,594	13
1180	Accounts receivable due from related parties, net (note 6(b) and 7)	1,409	-	5,239	-	2,646	-	2200	Other payables (note 6(m))	748,862	10	836,807	12	802,571	10
1200	Other receivables, net (note 6(c))	1,208	-	2,928	-	6,271	-	2216	Dividends payable (note 6(r))	181,473	2	-	-	217,768	3
1210	Other receivables due from related parties, net (note 6(c) and 7)	45,838	-	-	-	-	-	2220	Other payables to related parties (note 7)	156	-	24	-	119	-
1220	Current tax assets	5,251	-	2,750	-	4,465	-	2230	Current tax liabilities	516	-	36,152	-	81,368	1
130X	Inventories (note 6(d))	452,118	6	484,616	7	508,113	7	2365	Current refund liabilities (note 6(o))	211,691	3	198,353	3	204,092	3
1479	Other current assets (note 6(h) and 7)	90,637	1	73,006	1	89,651	1	2280	Current lease liabilities (note 6(n))	7,466	-	8,090	-	7,203	-
		<u>3,245,679</u>	<u>43</u>	<u>3,602,617</u>	<u>49</u>	<u>3,762,328</u>	<u>49</u>	2320	Long-term borrowing, current portion (note 6(l) and 8)	150,285	2	233,418	3	390,680	5
								2399	Other current liabilities, others (note 6(k))	<u>460,164</u>	<u>6</u>	<u>537,619</u>	<u>7</u>	<u>516,489</u>	<u>7</u>
										<u>3,440,923</u>	<u>46</u>	<u>3,300,569</u>	<u>46</u>	<u>3,595,993</u>	<u>47</u>
Non-current assets:								Non-Current liabilities:							
1550	Investments accounted for using equity method, net (note 6(e))	108,342	1	16,305	-	16,167	-	2540	Long-term borrowings (note 6(l) and 8)	214,524	3	87,500	1	87,556	1
1600	Property, plant and equipment (note 6(f) and 8)	3,053,669	42	3,222,305	43	3,371,438	44	2570	Deferred tax liabilities	219	-	219	-	-	-
1755	Right-of-use assets (note 6(g))	71,353	1	81,537	1	81,184	1	2580	Non-current lease liabilities (note 6(n))	<u>17,429</u>	<u>-</u>	<u>20,898</u>	<u>-</u>	<u>20,788</u>	<u>-</u>
1780	Intangible assets (note 6(h))	62,235	1	60,476	1	63,197	1			<u>232,172</u>	<u>3</u>	<u>108,617</u>	<u>1</u>	<u>108,344</u>	<u>1</u>
1840	Deferred tax assets	155,277	2	115,955	2	120,731	1		Total liabilities	<u>3,673,095</u>	<u>49</u>	<u>3,409,186</u>	<u>47</u>	<u>3,704,337</u>	<u>48</u>
1920	Guarantee deposits paid	1,698	-	1,698	-	2,680	-	Equity attributable to owners of parent: (note 6(r))							
1975	Net defined benefit asset, non-current	275,275	4	240,780	3	218,932	3	3100	Ordinary shares	1,814,735	25	1,814,735	25	1,814,735	24
1990	Other non-current assets (note 6(i))	362,765	6	41,078	1	44,310	1	3200	Capital surplus	586	-	586	-	586	-
		<u>4,090,614</u>	<u>57</u>	<u>3,780,134</u>	<u>51</u>	<u>3,918,639</u>	<u>51</u>	3300	Retained earnings	2,021,936	29	2,248,871	30	2,253,461	29
								3400	Other equity	<u>(199,879)</u>	<u>(3)</u>	<u>(119,135)</u>	<u>(2)</u>	<u>(121,202)</u>	<u>(1)</u>
									Total equity attributable to owners of parent	<u>3,637,378</u>	<u>51</u>	<u>3,945,057</u>	<u>53</u>	<u>3,947,580</u>	<u>52</u>
								36XX	Non-controlling interests	<u>25,820</u>	<u>-</u>	<u>28,508</u>	<u>-</u>	<u>29,050</u>	<u>-</u>
									Total equity	<u>3,663,198</u>	<u>51</u>	<u>3,973,565</u>	<u>53</u>	<u>3,976,630</u>	<u>52</u>
Total assets		<u>\$ 7,336,293</u>	<u>100</u>	<u>7,382,751</u>	<u>100</u>	<u>7,680,967</u>	<u>100</u>		Total liabilities and equity	<u>\$ 7,336,293</u>	<u>100</u>	<u>7,382,751</u>	<u>100</u>	<u>7,680,967</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months and six months ended June 30, 2025 and 2024
(Expressed in thousands of New Taiwan Dollar , except earnings per share)

	For the three months ended June 30				For the six months ended June 30				
	2025		2024		2025		2024		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(t) and 7)	\$ 1,192,672	100	1,464,973	100	2,207,165	100	3,651,934	100
5000	Operating costs (note 6(d) and (p))	1,034,971	87	1,236,324	84	1,910,947	87	3,033,178	83
	Gross profit from operations	<u>157,701</u>	<u>13</u>	<u>228,649</u>	<u>16</u>	<u>296,218</u>	<u>13</u>	<u>618,756</u>	<u>17</u>
6000	Operating expenses (note 6(p) and (u)):								
6100	Selling expenses	71,715	6	70,001	5	133,966	6	152,236	4
6200	Administrative expenses	54,939	5	53,715	4	108,923	5	112,216	3
6300	Research and development expenses	39,443	3	45,348	3	78,046	4	96,511	3
		<u>166,097</u>	<u>14</u>	<u>169,064</u>	<u>12</u>	<u>320,935</u>	<u>15</u>	<u>360,963</u>	<u>10</u>
	Net operating (loss) income	<u>(8,396)</u>	<u>(1)</u>	<u>59,585</u>	<u>4</u>	<u>(24,717)</u>	<u>(2)</u>	<u>257,793</u>	<u>7</u>
7000	Non-operating income and expenses (note 6(v)):								
7100	Interest income	13,395	1	26,684	2	25,406	1	40,668	1
7010	Other income	45,529	4	10,980	-	50,043	2	21,730	-
7020	Other gains and losses, net	(156,702)	(13)	29,196	2	(137,916)	(6)	118,368	3
7050	Finance costs, net (note 6(n))	(5,111)	-	(6,001)	-	(9,937)	-	(12,595)	-
7060	Share of profit of associates accounted for using equity method (note 6(e))	(672)	-	2	-	(657)	-	4	-
		<u>(103,561)</u>	<u>(8)</u>	<u>60,861</u>	<u>4</u>	<u>(73,061)</u>	<u>(3)</u>	<u>168,175</u>	<u>4</u>
7900	(Loss) profit before income tax	<u>(111,957)</u>	<u>(9)</u>	<u>120,446</u>	<u>8</u>	<u>(97,778)</u>	<u>(5)</u>	<u>425,968</u>	<u>11</u>
7950	Income tax (benefits) expense (note 6(q))	<u>(25,372)</u>	<u>(2)</u>	<u>23,658</u>	<u>1</u>	<u>(22,339)</u>	<u>(1)</u>	<u>85,236</u>	<u>2</u>
8200	(Loss) profit	<u>(86,585)</u>	<u>(7)</u>	<u>96,788</u>	<u>7</u>	<u>(75,439)</u>	<u>(4)</u>	<u>340,732</u>	<u>9</u>
8300	Other comprehensive income (loss):								
8310	Items that may not be reclassified subsequently to profit or loss								
8311	Gains on remeasurements of defined benefit plans	27,883	2	-	-	27,883	1	-	-
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation (note 6(r))	(114,253)	(10)	8,317	-	(103,632)	(4)	39,199	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss(note 6(q))	24,402	2	(1,646)	-	22,294	1	(7,774)	-
		<u>(89,851)</u>	<u>(8)</u>	<u>6,671</u>	<u>-</u>	<u>(81,338)</u>	<u>(3)</u>	<u>31,425</u>	<u>1</u>
8300	Other comprehensive income (after tax)	<u>(61,968)</u>	<u>(6)</u>	<u>6,671</u>	<u>-</u>	<u>(53,455)</u>	<u>(2)</u>	<u>31,425</u>	<u>1</u>
8500	Comprehensive income	<u>\$ (148,553)</u>	<u>(13)</u>	<u>103,459</u>	<u>7</u>	<u>(128,894)</u>	<u>(6)</u>	<u>372,157</u>	<u>10</u>
	Profit attributable to:								
8610	Owners of parent	\$ (85,475)	(7)	96,622	7	(73,345)	(4)	339,947	9
8620	Non-controlling interests	(1,110)	-	166	-	(2,094)	-	785	-
		<u>\$ (86,585)</u>	<u>(7)</u>	<u>96,788</u>	<u>7</u>	<u>(75,439)</u>	<u>(4)</u>	<u>340,732</u>	<u>9</u>
	Comprehensive income attributable to:								
8710	Owners of parent	\$ (146,769)	(13)	103,207	7	(126,206)	(6)	371,043	10
8720	Non-controlling interests	(1,784)	-	252	-	(2,688)	-	1,114	-
		<u>\$ (148,553)</u>	<u>(13)</u>	<u>103,459</u>	<u>7</u>	<u>(128,894)</u>	<u>(6)</u>	<u>372,157</u>	<u>10</u>
	Earnings per share (NT dollars) (note 6 (s))								
9750	Basic earnings per share	<u>\$ (0.47)</u>		<u>0.53</u>		<u>(0.40)</u>		<u>1.87</u>	
9850	Diluted earnings per share	<u>\$ (0.47)</u>		<u>0.53</u>		<u>(0.40)</u>		<u>1.86</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the six months ended June 30, 2025 and 2024
 (expressed in thousands of New Taiwan Dollar)

Equity attributable to owners of parent

	<u>Share capital</u>		<u>Retained earnings</u>				<u>Other equity</u>		<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings</u>	<u>Total</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>Total equity attributable to owners of parent</u>		
Balance on January 1, 2024	\$ 1,814,735	586	475,923	143,923	1,511,436	2,131,282	(152,298)	3,794,305	27,936	3,822,241
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	31,065	-	(31,065)	-	-	-	-	-
Special reserve appropriated	-	-	-	8,375	(8,375)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(217,768)	(217,768)	-	(217,768)	-	(217,768)
	-	-	31,065	8,375	(257,208)	(217,768)	-	(217,768)	-	(217,768)
Profit for the period	-	-	-	-	339,947	339,947	-	339,947	785	340,732
Other comprehensive income for the period	-	-	-	-	-	-	31,096	31,096	329	31,425
Comprehensive income	-	-	-	-	339,947	339,947	31,096	371,043	1,114	372,157
Balance on June 30, 2024	\$ 1,814,735	586	506,988	152,298	1,594,175	2,253,461	(121,202)	3,947,580	29,050	3,976,630
Balance on January 1, 2025	\$ 1,814,735	586	506,988	152,298	1,589,585	2,248,871	(119,135)	3,945,057	28,508	3,973,565
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	33,536	-	(33,536)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(181,473)	(181,473)	-	(181,473)	-	(181,473)
Reversal of special reserve	-	-	-	(33,163)	33,163	-	-	-	-	-
	-	-	33,536	(33,163)	(181,846)	(181,473)	-	(181,473)	-	(181,473)
Loss for the period	-	-	-	-	(73,345)	(73,345)	-	(73,345)	(2,094)	(75,439)
Other comprehensive income for the period	-	-	-	-	27,883	27,883	(80,744)	(52,861)	(594)	(53,455)
Comprehensive income	-	-	-	-	(45,462)	(45,462)	(80,744)	(126,206)	(2,688)	(128,894)
Balance on June 30, 2025	\$ 1,814,735	586	540,524	119,135	1,362,277	2,021,936	(199,879)	3,637,378	25,820	3,663,198

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the three months and six months ended June 30, 2025 and 2024

(Expressed in thousands of New Taiwan Dollar)

	For the six months ended June 30	
	2025	2024
Cash flows from operating activities:		
(Loss) profit before tax	\$ (97,778)	425,968
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	139,528	164,129
Amortization expenses	9,415	10,314
Interest expenses	9,937	12,595
Interest income	(25,406)	(40,668)
Shares of loss (profit) of associates accounted for using equity method	657	(4)
Profit (losses) on disposal of property, plant and equipment	(6,821)	11,423
Total adjustments to reconcile profit	127,310	157,789
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	1,204	(1,249)
Decrease (increase) in notes receivable due from related parties	377	(4,203)
Decrease in accounts receivable	120,474	260,380
Decrease in accounts receivable due from related parties	3,830	3,288
Decrease (increase) in other receivables	1,789	(5,138)
Increase in other receivable due from related parties	(45,838)	-
Decrease in inventories	32,498	232,844
(Increase) decrease in other current assets	(21,631)	15,625
(Increase) decrease in net defined benefit assets	(6,612)	1,208
Decrease in other operating assets	514	825
Total changes in operating assets	86,605	503,580
Changes in operating liabilities:		
Increase in contract liabilities	9,541	15,624
Decrease (increase) in notes payable	18,322	(385,192)
Increase in notes payable to related parties	374	324
Decrease (increase) in accounts payable	88,465	(842,350)
(Increase) decrease in other payable	(90,940)	62,507
Decrease in other payable to related parties	132	3
Increase in other current liabilities	(64,117)	(33,604)
Total changes in operating liabilities	(38,223)	(1,182,688)
Total changes in operating assets and liabilities	48,382	(679,108)
Total adjustments	175,692	(521,319)
Cash inflow (outflow) generated from operations	77,914	(95,351)
Interest received	25,337	42,197
Interest paid	(9,868)	(13,160)
Income taxes paid	(34,934)	(65,449)
Net cash flows from operating activities	58,449	(131,763)
Cash flows from investing activities:		
Acquisition of investments accounted for using equity method	(99,000)	-
Acquisition of property, plant and equipment	(17,090)	(24,837)
Proceeds from disposal of property, plant and equipment	37,246	679
Acquisition of intangible assets	(7,254)	(11,206)
Increase in other non-current assets	(317,133)	-
Increase in prepayments for business facilities	(35,488)	(3,557)
Net cash flows used in investing activities	(438,719)	(38,921)
Cash flows from financing activities:		
Increase in short-term borrowings	837,582	520,982
Decrease in short-term borrowings	(708,000)	(1,020,982)
Increase from long-term borrowings	200,000	27,319
Repayments of long-term borrowings	(149,082)	(267,265)
Payment of lease liabilities	(4,305)	(4,228)
Net cash flows used in financing activities	176,195	(744,174)
Effect of exchange rate changes on cash and cash equivalents	(58,730)	16,700
Net decrease in cash and cash equivalents	(262,805)	(898,158)
Cash and cash equivalents at beginning of period	2,372,119	3,283,001
Cash and cash equivalents at end of period	\$ 2,109,314	2,384,843

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

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

(1) Company history

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

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

The consolidated financial statements for the six months ended June 30, 2025 and 2024 were authorized for issuance by the board of directors on August 6, 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2026, would not have a significant impact on its consolidated financial statements:

- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “ Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

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

- (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 Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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

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

(Continued)

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”

(4) Summary of material accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2024. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2024.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			June 30, 2025	December 31, 2024	June 30, 2024	
The Company	Power Tool Specialists Inc. (P.T.S.)	Merchandise trading	96 %	96 %	96 %	Note 1
The Company	Gold Item Group Ltd.(Gold Item)	Investing and holding	100 %	100 %	100 %	
The Company	Rexon Technology Corp., Ltd. (Rexon Tech)	Manufacture and sale of electric components	82.87 %	82.87 %	82.87 %	Note 1
The Company	Rexon Industrial Company Ltd.(Vietnam) (Rexon Vietnam)	Manufacture and sale of fitness equipment.	100 %	- %	- %	Note1&2
Gold Item	Gold Tech Group Ltd. (Gold Tech)	Investing and holding	100 %	100 %	100 %	
Gold Tech Group Ltd.	Tongxiang Rexon Industrial Co.,Ltd.(Tongxiang Rexon)	Manufacture of drills, woodworking tools and fitness equipment	100 %	100 %	100 %	

Note 1: Which is non-significant subsidiaries, its financial statements have not been reviewed.

Note 2: On January 21, 2025, the board of directors of the Group resolved to establish a subsidiary in Vietnam. The total investment amount is USD 20 million. During the period from January to June 2025, the Group contributed USD 12,891 thousand. In May 2025, Rexon Industrial Company Ltd.(Vietnam) has established with effective registration certification.

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

(Continued)

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

(c) Employee benefits

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

(d) Income taxes

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

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

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34 “Interim Financial Reporting” endorsed by the FSC requires management to make 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.

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2024. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2024.

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

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

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

(Continued)

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

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2024 consolidated financial statements. Please refer to Note 6 of the 2024 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2025	December 31, 2024	June 30, 2024
Petty cash and cash on hand	\$ 1,387	1,889	1,924
Checking and demand deposits	1,497,231	1,334,069	1,182,269
Time deposits	<u>610,696</u>	<u>1,036,161</u>	<u>1,200,650</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 2,109,314</u>	<u>2,372,119</u>	<u>2,384,843</u>

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

	June 30, 2025	December 31, 2024	June 30, 2024
Notes receivable from operating activities	\$ 700	1,904	1,333
Notes receivable from operating activities-related parties	9,589	9,966	15,216
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,289</u>	<u>11,870</u>	<u>16,549</u>
Accounts receivable-measured at amortized cost	\$ 531,122	651,596	751,297
Accounts receivable from related parties-measured at amortized cost	1,409	5,239	2,646
Less: Loss allowance	<u>(1,603)</u>	<u>(1,603)</u>	<u>(1,603)</u>
	<u>\$ 530,928</u>	<u>655,232</u>	<u>752,340</u>

(Continued)

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

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

	June 30, 2025		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 383,299	0.00%	-
1 to 90 days past due	158,888	0.61%	970
91 to 180 days past due	67	100%	67
181 to 360 days past due	566	100%	566
Over 360 days past due	-	-	-
Total	\$ 542,820		1,603

	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 474,763	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	\$ 668,705		1,603

	June 30, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 613,380	0.03%	174
1 to 90 days past due	152,100	0.36%	541
91 to 180 days past due	5,012	17.71%	888
181 to 360 days past due	-	-	-
Over 360 days past due	-	-	-
Total	\$ 770,492		1,603

(Continued)

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

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

	2025	2024
Balance at January 1	<u>\$ 1,603</u>	<u>1,603</u>
(which is balance at June 30)		

(iii) None of the receivables was pledged as collateral as of June 30, 2025, December 31, 2024 and June 30, 2024.

(c) **Other receivables (include related party)**

	June 30, 2025	December 31, 2024	June 30, 2024
Other receivables	\$ 12,455	14,175	17,518
Other receivables from related	45,838	-	-
Less: Loss allowance	<u>(11,247)</u>	<u>(11,247)</u>	<u>(11,247)</u>
	<u>\$ 47,046</u>	<u>2,928</u>	<u>6,271</u>

(i) As of June 30, 2025, December 31, 2024 and June 30, 2024, there are no other receivables which are past due but not impaired.

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

	2025	2024
Balance on January 1	<u>\$ 11,247</u>	<u>11,247</u>
(which is balance at June 30)		

(d) **Inventories**

	June 30, 2025	December 31, 2024	June 30, 2024
Finished goods	\$ 171,813	209,806	186,393
Work in progress	81,175	44,577	94,400
Materials	69,113	72,439	95,497
Parts	126,042	152,602	125,832
Merchandise	<u>3,975</u>	<u>5,192</u>	<u>5,991</u>
	<u>\$ 452,118</u>	<u>484,616</u>	<u>508,113</u>

(Continued)

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

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

	For the three months ended June 30		For the six months ended June 30,	
	2025	2024	2025	2024
Inventory scrap loss	\$ 95	1,230	464	3,785
Inventory shortage	-	7	-	7
Revenue from sale of scraps	(558)	(920)	(985)	(2,700)
	\$ (463)	317	(521)	1,092

As of June 30, 2025, December 31, 2024 and June 30, 2024 inventories were not pledged as collateral.

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

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

	June 30, 2025	December 31, 2024	June 30, 2024
Associates	\$ 108,342	16,305	16,167

(i) Associates

Affiliated company's information:

<u>Name of Associates</u>	<u>Nature of relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>		
			<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Fine Clear Corp., Ltd.	Sale of pneumatic nail gun and accessories, which is the Group's investment	Taiwan	16 %	16 %	16 %
Allwin Electromechanical Technology (thailand) Co., Ltd.	The main business is developing, selling, and manufacturing power tools, which is the Group's investment	Thailand	21.76 %	-	-

The Group's board of directors resolved to invest in Allwin Electromechanical Technology (Thailand) Co., Ltd. on November 6, 2024, with an amount of \$3,000 thousand. The registration of the change in investment was completed in April 2025.

(Continued)

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

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

	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>June 30,</u> <u>2024</u>	
Carrying amount of individually insignificant associates' equity	\$ <u>108,342</u>	<u>16,305</u>	<u>16,167</u>	
	<u>For the three months ended</u> <u>June 30</u>		<u>For the six months ended</u> <u>June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Attributable to the Group:				
Profit from continuing operations	\$ (672)	2	(657)	4
Other comprehensive income	(6,305)	-	(6,305)	-
Comprehensive income	<u>\$ (6,977)</u>	<u>2</u>	<u>(6,962)</u>	<u>4</u>

(ii) Investments pledge

As of June 30, 2025, December 31, 2024 and June 30, 2024 the Group did not provide any investments accounted for using the equity method as collateral for its loans.

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

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

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

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

	<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, 2025	\$ 1,178,587	2,905,953	894,535	823,546	155,844	5,958,465
Additions	-	4,910	10,200	4,004	902	20,016
Disposal	-	-	(48,333)	(8,752)	(655)	(57,740)
Reclassification	-	-	27,504	2,916	-	30,420
Effect of movements in exchange rates	(556)	(79,799)	(14,215)	(12,662)	(2,637)	(109,869)
Balance on June 30, 2025	<u>\$ 1,178,031</u>	<u>2,831,064</u>	<u>869,691</u>	<u>809,052</u>	<u>153,454</u>	<u>5,841,292</u>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Mold and tooling equipment</u>	<u>Office equipment and other facilities</u>	<u>Total</u>
Balance on January 1, 2024	\$ 1,178,255	2,855,488	867,518	844,702	167,287	5,913,250
Additions	-	6,444	1,796	5,639	2,341	16,220
Disposal	-	-	(2,340)	(43,164)	(14,365)	(59,869)
Reclassification	-	-	1,326	1,983	270	3,579
Effect of movements in exchange rates	278	37,158	7,086	5,668	1,259	51,449
Balance on June 30, 2024	<u>\$ 1,178,533</u>	<u>2,899,090</u>	<u>875,386</u>	<u>814,828</u>	<u>156,792</u>	<u>5,924,629</u>
Depreciation :						
Balance on January 1, 2025	\$ -	1,227,116	644,112	739,850	125,082	2,736,160
Depreciation	-	55,874	46,822	26,917	4,905	134,518
Disposal	-	-	(18,304)	(8,414)	(597)	(27,315)
Effect of movements in exchange rates	-	(32,335)	(11,182)	(9,853)	(2,370)	(55,740)
Balance on June 30, 2025	<u>\$ -</u>	<u>1,250,655</u>	<u>661,448</u>	<u>748,500</u>	<u>127,020</u>	<u>2,787,623</u>
Balance on January 1, 2024	\$ -	1,095,568	496,648	698,145	128,859	2,419,220
Depreciation	-	59,649	51,282	42,262	5,988	159,181
Disposal	-	-	(2,104)	(33,656)	(12,007)	(47,767)
Effect of movements in exchange rates	-	13,061	4,750	3,637	1,109	22,557
Balance on June 30, 2024	<u>\$ -</u>	<u>1,168,278</u>	<u>550,576</u>	<u>710,388</u>	<u>123,949</u>	<u>2,553,191</u>
Carrying amounts :						
Balance on January 1, 2025	<u>\$ 1,178,587</u>	<u>1,678,837</u>	<u>250,423</u>	<u>83,696</u>	<u>30,762</u>	<u>3,222,305</u>
Balance on June 30, 2025	<u>\$ 1,178,031</u>	<u>1,580,409</u>	<u>208,243</u>	<u>60,552</u>	<u>26,434</u>	<u>3,053,669</u>
Balance on January 1, 2024	<u>\$ 1,178,255</u>	<u>1,759,920</u>	<u>370,870</u>	<u>146,557</u>	<u>38,428</u>	<u>3,494,030</u>
Balance on June 30, 2024	<u>\$ 1,178,533</u>	<u>1,730,812</u>	<u>324,810</u>	<u>104,440</u>	<u>32,843</u>	<u>3,371,438</u>

- (i) In response to the need for expansion in the future, the Group bought the farmland near to its factory, costing \$316,060 thousand, but the ownership of the land is temporarily not allowed to be transferred to the Group because the farmland is legally for agricultural purpose. Therefore, the farmland now is registered in the name of a shareholder who has the identity of natural person and has pledged to the Group for security concerns.
- (ii) Gain or losses of disposal, please refer to Note 6(v).
- (iii) As of June 30, 2025, December 31, 2024 and June 30, 2024, property, plant and equipment of the Group were pledged as collateral for long-term loans; please refer to note 8.

(Continued)

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

(g) Right-of-use assets

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

	<u>Land</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance on January 1, 2025	\$ 89,287	17,535	106,822
Additions	-	212	212
Reductions	-	-	-
Effect of movement in exchange rates	<u>(6,296)</u>	<u>-</u>	<u>(6,296)</u>
Balance on June 30, 2025	<u>\$ 82,991</u>	<u>17,747</u>	<u>100,738</u>
Balance on January 1, 2024	\$ 86,255	20,393	106,648
Additions	-	6,033	6,033
Reductions	-	(9,507)	(9,507)
Effect of movement in exchange rates	<u>2,921</u>	<u>-</u>	<u>2,921</u>
Balance on June 30, 2024	<u>\$ 89,176</u>	<u>16,919</u>	<u>106,095</u>
Accumulated depreciation :			
Balance on January 1, 2025	\$ 18,620	6,665	25,285
Depreciation	1,777	3,233	5,010
Reductions	-	-	-
Effect of movement in exchange rates	<u>(910)</u>	<u>-</u>	<u>(910)</u>
Balance on June 30, 2025	<u>\$ 19,487</u>	<u>9,898</u>	<u>29,385</u>
Balance on January 1, 2024	\$ 14,084	15,046	29,130
Depreciation	2,086	2,862	4,948
Reductions	-	(9,507)	(9,507)
Effect of movement in exchange rates	<u>340</u>	<u>-</u>	<u>340</u>
Balance on June 30, 2024	<u>\$ 16,510</u>	<u>8,401</u>	<u>24,911</u>
Carrying amount:			
Balance on January 1, 2025	<u>\$ 70,667</u>	<u>10,870</u>	<u>81,537</u>
Balance on June 30, 2025	<u>\$ 63,504</u>	<u>7,849</u>	<u>71,353</u>
Balance on January 1, 2024	<u>\$ 72,171</u>	<u>5,347</u>	<u>77,518</u>
Balance on June 30, 2024	<u>\$ 72,666</u>	<u>8,518</u>	<u>81,184</u>

As of June 30, 2025, December 31, 2024 and June 30, 2024, the right-of-use assets of the Group were not pledged as collateral.

(Continued)

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

(h) **Intangible assets**

The costs, amortization and impairment loss of the intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Patent</u>	<u>Total</u>
Costs:				
Balance at January 1, 2025	\$ 43,293	193,655	-	236,948
Additions	-	7,254	-	7,254
Reductions	-	(9,408)	-	(9,408)
Reclassification	-	-	4,000	4,000
Effect of movement in exchange rates	-	(957)	-	(957)
Balance at June 30, 2025	<u>\$ 43,293</u>	<u>190,544</u>	<u>4,000</u>	<u>237,837</u>
Balance at January 1, 2024	\$ 43,293	176,565	-	219,858
Additions	-	11,206	-	11,206
Reductions	-	(1,539)	-	(1,539)
Effect of movement in exchange rates	-	420	-	420
Balance at June 30, 2024	<u>\$ 43,293</u>	<u>186,652</u>	<u>-</u>	<u>229,945</u>
Amortization:				
Balance at January 1, 2025	\$ -	176,472	-	176,472
Amortization	-	9,193	222	9,415
Reductions	-	(9,408)	-	(9,408)
Effect of movement in exchange rates	-	(877)	-	(877)
Balance at June 30, 2025	<u>\$ -</u>	<u>175,380</u>	<u>222</u>	<u>175,602</u>
Balance at January 1, 2024	\$ -	157,623	-	157,623
Amortization	-	10,314	-	10,314
Reductions	-	(1,539)	-	(1,539)
Effect of movement in exchange rates	-	350	-	350
Balance at June 30, 2024	<u>\$ -</u>	<u>166,748</u>	<u>-</u>	<u>166,748</u>
Carrying value:				
Balance at January 1, 2025	<u>\$ 43,293</u>	<u>17,183</u>	<u>-</u>	<u>60,476</u>
Balance at June 30, 2025	<u>\$ 43,293</u>	<u>15,164</u>	<u>3,778</u>	<u>62,235</u>
Balance at January 1, 2024	<u>\$ 43,293</u>	<u>18,942</u>	<u>-</u>	<u>62,235</u>
Balance at June 30, 2024	<u>\$ 43,293</u>	<u>19,904</u>	<u>-</u>	<u>63,197</u>

As of June 30, 2025, December 31, 2024 and June 30, 2024, the intangible assets of the Group were not pledged as collateral.

(Continued)

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

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

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

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Other current assets:			
Prepayments	\$ 40,885	39,063	50,115
Bussiness tax receivables	29,808	20,195	27,225
Others	19,944	13,748	12,311
	<u>\$ 90,637</u>	<u>73,006</u>	<u>89,651</u>
Other non-current assets:			
Prepayments for equipment	\$ 44,807	39,739	42,284
Prepayments for right of use	317,133	-	-
Others	825	1,339	2,026
	<u>\$ 362,765</u>	<u>41,078</u>	<u>44,310</u>

(j) **Short-term borrowings**

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Unsecured bank loans	\$ 503,000	400,000	-
Secured bank loans	147,347	136,845	63,745
	<u>\$ 650,347</u>	<u>536,845</u>	<u>63,745</u>
Unused short-term credit lines	<u>\$ 3,551,630</u>	<u>3,482,492</u>	<u>4,004,245</u>
Range of interest rate	<u>1.75%~4%</u>	<u>1.75%~4.3%</u>	<u>4.3%</u>

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

For the six months ended June 30, 2025 and 2024, the Group had the additional short-term borrowings amounting to \$837,582 thousand and \$520,982 thousand, with a range of interest rate 1.785%~4% and 1.66%~3.5%, maturing in a range from July, 2025 to May, 2026 and May, 2024 to June, 2024.

For the six months ended June 30, 2025 and 2024, the Group had the repayments were \$708,000 thousand and \$1,020,982 thousand, respectively.

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

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

(Continued)

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

(k) **Other current liabilities**

The details of other current liabilities were summarized as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Temporary receipt	\$ 449,807	528,301	506,871
Advance receipts	3,566	3,566	3,566
Others	6,791	5,752	6,052
	\$ 460,164	537,619	516,489

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

(l) **Long-term borrowings**

The details of long-term borrowings were as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Secured bank loans	\$ 318,976	250,085	429,561
Unsecured bank loans	45,833	70,833	48,675
Less : current portion	(150,285)	(233,418)	(390,680)
Total	\$ 214,524	87,500	87,556
Unused long-term credit lines	\$ 163,719	155,092	200,342
Range of interest rate	1.2%~4%	1.2%~4%	1.325%~6.57%

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

For the six months ended June 30, 2025 and 2024 the Group had the additional long-term borrowings amounting to \$200,000 thousand and \$27,319 thousand, with a range of interest rate 1.95%~4% and 4%, maturing in range from September, 2026 to June, 2032 and March, 2026.

For the six months ended June 30, 2025 and 2024, the Group had the repayments were \$149,082 thousand and \$267,265 thousand, respectively.

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

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

(Continued)

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

(m) Other payables

	June 30, 2025	December 31, 2024	June 30, 2024
Advertising expenses	\$ 548,611	531,431	510,546
Year-end bonus, salary, and unused vacation bonus.	84,925	124,360	86,667
Employee compensation and supervisor compensation.	51,824	51,824	88,440
Others	<u>63,502</u>	<u>129,192</u>	<u>116,918</u>
	<u>\$ 748,862</u>	<u>836,807</u>	<u>802,571</u>

(n) Lease liabilities

	June 30, 2025	December 31, 2024	June 30, 2024
Current	\$ <u>7,466</u>	<u>8,090</u>	<u>7,203</u>
Non-current	\$ <u>17,429</u>	<u>20,898</u>	<u>20,788</u>

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

The amounts recognized in profit or loss were as follows:

	For the six months ended June 30	
	2025	2024
Interest expense on lease liabilities	\$ <u>179</u>	<u>163</u>

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

	For the six months ended June 30	
	2025	2024
Total cash outflow for leases	\$ <u>4,484</u>	<u>4,391</u>

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

(o) Current refund liabilities

	June 30, 2025	December 31, 2024	June 30, 2024
Current refund liabilities	\$ <u>211,691</u>	<u>198,353</u>	<u>204,092</u>

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

(Continued)

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

(p) **Employee benefits**

(i) Defined benefit plans

In prior fiscal year, there was no material volatility of the market, reimbursement and settlement or other material one-time events. As a result, pension cost in the accompanying interim financial statements is measured and disclosed as of December 31, 2024 and 2023.

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

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Operating costs	\$ -	537	-	1,090
Selling expenses	17,458	35	17,501	70
Administrative expenses	-	120	-	239
Research and development expenses	-	130	-	260
Total	\$ 17,458	822	17,501	1,659

(ii) Defined contribution plans

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

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Operating costs	\$ 3,183	3,290	6,147	6,873
Selling expenses	283	289	555	576
Administrative expenses	1,179	846	2,340	1,672
Research and development expenses	816	798	1,611	1,584
Total	\$ 5,461	5,223	10,653	10,705

Except for the Company and Rexon Technology Corp., Ltd., other subsidiaries adopted the defined contribution method under their local law, and accordingly, the pension costs were \$1,431 thousand, \$1,465 thousand, \$2,985 thousand and \$3,167 thousand.

(Continued)

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

(q) **Income taxes**

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

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Current tax expense				
Current period	\$ (3,379)	22,044	-	81,363
Adjustment for prior periods	(3,203)	(483)	(3,203)	(483)
	<u>(6,582)</u>	<u>21,561</u>	<u>(3,203)</u>	<u>80,880</u>
Deferred tax expense				
Origination and reversal of temporary differences	(18,790)	2,097	(19,136)	4,356
Income tax (benefit) expense	<u>\$ (25,372)</u>	<u>23,658</u>	<u>(22,339)</u>	<u>85,236</u>

The amounts of income tax recognized directly in other comprehensive income for the six months ended June 30, 2025 and 2024 were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	\$ <u>24,402</u>	<u>(1,646)</u>	<u>22,294</u>	<u>(7,774)</u>

The income tax returns of the company and Rexon Technology for the years through 2023 were assessed and approved by the tax authorities .

(r) **Capital and other equity**

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to June 30, 2025 and 2024. For the related information, please refer to note 6 (s) of the consolidated financial statements for the year ended December 31, 2024.

(i) **Retained earnings**

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

(Continued)

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

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

1) Special reserve

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

As of June 30, 2025, December 31, 2024 and June 30, 2024 the amounts of such special reserves were \$119,135 thousand, \$152,298 thousand and \$152,298 thousand, respectively.

2) Earnings distribution

The amount of cash dividends on appropriations of earnings for 2024 and 2023 had been approved during the board meeting on February 26, 2025 and February 27, 2024, as follows:

	2024		2023	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 1.0	181,473	1.2	217,768

(ii) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2025	\$ (119,135)
Exchange differences on foreign operations	(80,744)
Balance at June 30, 2025	\$ (199,879)
Balance at January 1, 2024	\$ (152,298)
Exchange differences on foreign operations	31,096
Balance at June 30, 2024	\$ (121,202)

(Continued)

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

(s) **Earnings per share**

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Basic earnings per share				
Net (loss) profit attributable to ordinary shareholders of the Company	\$ <u>(85,475)</u>	<u>96,622</u>	<u>(73,345)</u>	<u>339,947</u>
Weighted-average number of ordinary shares	<u>181,473</u>	<u>181,473</u>	<u>181,473</u>	<u>181,473</u>
	<u>\$ (0.47)</u>	<u>0.53</u>	<u>(0.40)</u>	<u>1.87</u>
Diluted earnings per share				
Net (loss) profit attributable to ordinary shareholders of the Company	\$ <u>(85,475)</u>	<u>96,622</u>	<u>(73,345)</u>	<u>339,947</u>
Weighted-average number of ordinary shares	181,473	181,473	181,473	181,473
Effect of employee share bonus	-	816	-	1,051
Weighted average number of ordinary shares (diluted)	<u>181,473</u>	<u>182,289</u>	<u>181,473</u>	<u>182,524</u>
	<u>\$ (0.47)</u>	<u>0.53</u>	<u>(0.40)</u>	<u>1.86</u>

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

(i) **Details of revenue**

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
<u>Primary geographical markets</u>				
America	\$ 1,053,138	1,342,351	1,950,774	3,363,775
Europe	90,047	39,717	170,339	153,564
Asia	49,487	80,771	86,052	132,461
Other	-	2,134	-	2,134
	<u>\$ 1,192,672</u>	<u>1,464,973</u>	<u>2,207,165</u>	<u>3,651,934</u>
<u>Major products</u>				
Woodworking tools	\$ 92,910	243,558	250,623	397,521
Fitness equipment	1,016,707	1,053,509	1,797,032	2,914,840
Other	83,055	167,906	159,510	339,573
	<u>\$ 1,192,672</u>	<u>1,464,973</u>	<u>2,207,165</u>	<u>3,651,934</u>

(Continued)

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

(ii) Contract balances

	June 30, 2025	December 31, 2024	June 30, 2024
Contract liabilities	\$ 59,214	49,673	73,462

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

The amount of revenue recognized for the three months and nine months ended March 31, 2025 and 2024, that were included in the contract liability balance at the beginning of the period were \$5,882 thousand, \$1,869 thousand, \$7,577 thousand and \$8,443 thousand, respectively.

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

According to the Articles of Association, once the Company has annual profit, it should at least appropriate 5% of the profit to its employees and no less than 1% shall be allocated for salary adjustments or bonuses for grassroots employees. The amount allocated for grassroots employee bonuses may be included within the total employee compensation allocation. Additionally, 5% or less to its directors as remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via cash or shares includes those dependent employees of the Company's subsidiaries under certain requirements.

For the three months and six months ended June 30, 2025 and 2024 the Company estimated its employee remuneration amounting to \$(1,707) thousand, \$10,588 thousand, \$0 thousand and \$37,386 thousand, and directors' remuneration amounting to \$(205) thousand, \$1,588 thousand, \$0 thousand and \$5,608 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration of employees. If there are any subsequent adjustments to the actual remuneration amounts, the adjustments will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2024 and 2023, the remunerations to employees amounted to \$45,297 thousand and \$36,189 thousand and the remunerations to directors amounted all to \$6,400 thousand, respectively. There were no differences between the estimated amounts and the actual remuneration paid, and the information is available on the Market Observation Post System website.

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

(i) Interest income

The details of interest income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Interest income—bank deposits	\$ 13,395	26,684	25,406	40,668

(Continued)

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

(ii) Other income

The details of other income were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Rent income	\$ 1,409	1,397	2,806	2,794
Other	44,120	9,583	47,237	18,936
	\$ 45,529	10,980	50,043	21,730

(iii) Other income and losses

The details of other income and losses were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Net foreign exchange (loss) gains	\$ (163,829)	29,963	(144,522)	129,847
Net profit (losses) on disposal of property, plant and equipment	7,313	(741)	6,821	(11,423)
Other	(186)	(26)	(215)	(56)
	\$ (156,702)	29,196	(137,916)	118,368

(iv) Finance expenses

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Interest expenses	\$ (5,111)	(6,001)	(9,937)	(12,595)

(w) **Financial Instruments**

(i) Credit risk

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2024.

(Continued)

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

1) Concentration of credit risk

As of June 30, 2025, December 31, 2024 and June 30, 2024, the Group reviewed the concentrations of credit risk arising from major customer at percentages below 48%, 37% and 33%, respectively, of the total trade receivables. The other top three clients contributed no more than 32%, 44% and 44%, respectively, of the total receivables.

2) Receivables

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>more than 5 years</u>
June 30, 2025						
Non-derivative financial liabilities						
Secured bank loans	\$ 466,323	494,381	258,195	81,769	154,417	-
Unsecured loans	548,833	551,322	551,322	-	-	-
Leased liabilities (current and non-current)	24,895	25,532	7,735	6,391	9,201	2,205
Payables	<u>1,901,240</u>	<u>1,901,240</u>	<u>1,901,240</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>2,941,291</u>	<u>2,972,475</u>	<u>2,718,492</u>	<u>88,160</u>	<u>163,618</u>	<u>2,205</u>
December 31, 2024						
Non-derivative financial liabilities						
Secured bank loans	\$ 386,930	466,432	377,718	63,473	25,241	-
Unsecured loans	470,833	401,748	401,748	-	-	-
Lease liabilities (current and non-current)	28,988	29,799	8,377	7,249	10,498	3,675
Payables	<u>1,700,419</u>	<u>1,700,419</u>	<u>1,700,419</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>2,587,170</u>	<u>2,598,398</u>	<u>2,488,262</u>	<u>70,722</u>	<u>35,739</u>	<u>3,675</u>
June 30, 2024						
Non-derivative financial liabilities						
Secured bank loans	\$ 493,306	500,503	426,955	73,548	-	-
Unsecured loans	48,675	52,848	35,232	17,616	-	-
Lease liabilities (current and non-current)	27,991	28,830	7,497	5,798	10,390	5,145
Payables	<u>2,258,954</u>	<u>2,258,954</u>	<u>2,258,954</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>2,828,926</u>	<u>2,841,135</u>	<u>2,728,638</u>	<u>96,962</u>	<u>10,390</u>	<u>5,145</u>

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

(Continued)

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2025			December 31, 2024			June 30, 2024		
	Foreign Currency	Exchange Rates	NTD	Foreign Currency	Exchange Rates	NTD	Foreign Currency	Exchange Rates	NTD
<u>Financial Assets</u>									
<u>Monetary items</u>									
USD	\$ 78,920	29.30	2,312,356	79,260	32.79	2,598,936	45,030	32.45	1,461,224
EUR	36	34.35	1,237	24	34.14	819	32	34.71	1,111
JPY	16,175	0.2034	3,290	10,752	0.2099	2,257	4,681	0.20	944
GBP	5	40.16	201	5	41.19	206	5	41.04	205
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
USD	7,587	29.30	222,299	2,988	32.79	97,981	1,755	32.45	56,950
EUR	227	34.35	7,797	227	34.14	7,750	227	34.71	7,879

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, borrowings, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the TWD against the USD, EUR, JPY, and GBP as of 2025 would have increased (decreased) the net loss after tax by \$16,698 thousand. 2024 would have increased (decreased) the net profit after tax by \$11,188 thousand. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for prior year.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the six months ended June 30, 2025 and 2024, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(144,522) thousand and \$129,847 thousand, respectively.

(iv) Interest rate analysis

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

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

(Continued)

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

If the interest rate had increased or decreased by 1%, with all other variable factors remaining constant, the Group's net income loss would have increased(decreased) by \$8,121 thousand for the six months ended June 30, 2025. the Group's net income would have increased(decreased) by \$4,336 thousand for the six months ended June 30, 2024.

(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

	Carrying amount	June 30, 2025			
		Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
Financial assets measured at amortized cost					
Cash and cash equivalents	2,109,314	-	-	-	-
Notes receivable, trade receivable, and other receivable (including related parties)	588,263	-	-	-	-
Guarantee deposits paid	1,698	-	-	-	-
	<u>\$ 2,699,371</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 650,347	-	-	-	-
Notes payable, accounts payable, and other payable (including related parties)	1,719,767	-	-	-	-
Dividends payable	181,473	-	-	-	-
Long-term borrowings, current portion	150,285	-	-	-	-
Loan-term borrowings	214,524	-	-	-	-
Leases liabilities	24,895	-	-	-	-
	<u>\$ 2,941,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

		December 31, 2024				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
	Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
Financial assets measured at amortized cost						
	Cash and cash equivalents	2,372,119	-	-	-	-
	Notes receivable, trade receivable, and other receivable (including related parties)	670,030	-	-	-	-
	Guarantee deposits paid	1,698	-	-	-	-
		<u>\$ 3,043,943</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
Financial liabilities at amortized cost						
	Short-term borrowings	\$ 536,845	-	-	-	-
	Notes payable, accounts payable, and other payable (including related parties)	1,700,419	-	-	-	-
	Long-term borrowings, current portion	233,418	-	-	-	-
	Loan-term borrowings	87,500	-	-	-	-
	Leases liabilities	28,988	-	-	-	-
		<u>\$ 2,587,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		June 30, 2024				
		Carrying amount	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
	Mandatorily measured at fair value through profit or loss	\$ 96	-	-	96	96
Financial assets measured at amortized cost						
	Cash and cash equivalents	2,384,843	-	-	-	-
	Notes receivable, trade receivable, and other receivable (including related parties)	775,160	-	-	-	-
	Guarantee deposits paid	2,680	-	-	-	-
		<u>\$ 3,162,779</u>	<u>-</u>	<u>-</u>	<u>96</u>	<u>96</u>
Financial liabilities at amortized cost						
	Short-term borrowings	\$ 63,745	-	-	-	-
	Notes payable, accounts payable, and other payable (including related parties)	2,041,186	-	-	-	-
	Dividends payable	217,768	-	-	-	-
	Long-term borrowings, current portion	390,680	-	-	-	-
	Loan-term borrowings	87,556	-	-	-	-
	Lease liabilities	27,991	-	-	-	-
		<u>\$ 2,828,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

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

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

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

3) Valuation techniques for financial instruments measured at fair value

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

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

4) Transfer between Level 1 and Level 2

There were no transfers one level to another in 2025 and 2024.

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

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

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

(x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as those disclosed in Note 6(y) of the consolidated financial statements for the year ended December 31, 2024.

(Continued)

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

(y) **Capital management**

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2024. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2024. Please refer to note 6 (z) to the consolidated financial statements for the year ended December 31, 2024 for further details.

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

The Group's investing and financing activities, which did not affect the current cash flow in the six months ended June 30, 2025 and 2024, were as follows:

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2025	Cash flows	Non-cash changes		June 30, 2025
			Acquisition	Foreign exchange movement	
Long-term borrowings (including due within 1 year)	\$ 320,918	50,918	-	(7,027)	364,809
Short-term borrowings	536,845	129,582	-	(16,080)	650,347
Lease liabilities	28,988	(4,305)	212	-	24,895
Total liabilities from financing	<u>\$ 886,751</u>	<u>176,195</u>	<u>212</u>	<u>(23,107)</u>	<u>1,040,051</u>

	January 1, 2023	Cash flows	Non-cash changes		June 30, 2024
			Acquisition	Foreign exchange movement	
Long-term borrowings (including due within 1 year)	\$ 712,180	(239,946)	-	6,002	478,236
Short-term borrowings	560,703	(500,000)	-	3,042	63,745
Lease liabilities	26,186	(4,228)	6,033	-	27,991
Total liabilities from financing	<u>\$ 1,299,069</u>	<u>(744,174)</u>	<u>6,033</u>	<u>9,044</u>	<u>569,972</u>

(7) **Related-party transactions**

(a) Names and relationship with the Group

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

Name of related party	Relationship with the Group
Fine Clear Co., Ltd	An associate
Allwin Electromechanical Technology (Thailand) Co., Ltd. (Allwin Thailand)	An associate

(Continued)

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

(b) Significant transactions with related parties

(i) Sales of goods to related parties

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

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Associates – Fine Clear Co., Ltd	<u>\$ 9,262</u>	<u>11,179</u>	<u>15,407</u>	<u>25,311</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 transactions was ranged from 30 days to 120 days. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Receivables from related parties

Account	Related-party type	June 30, 2025	December 31, 2024	June 30, 2024
Notes receivable	Associates – Fine Clear Co., Ltd	<u>\$ 9,589</u>	<u>9,966</u>	<u>15,216</u>
Accounts receivable	Associates – Fine Clear Co., Ltd	<u>1,409</u>	<u>5,239</u>	<u>2,646</u>
Other receivable	Associates – Allwin Thailand	<u>45,838</u>	<u>-</u>	<u>-</u>

(iii) Payables to related parties

Account	Related-party type	June 30, 2025	December 31, 2024	June 30, 2024
Notes payable	Associates – Fine Clear Co., Ltd	<u>\$ 544</u>	<u>170</u>	<u>385</u>
Other payables	Associates – Fine Clear Co., Ltd	<u>156</u>	<u>24</u>	<u>119</u>

(iv) Prepayments

Account	Related-party type	June 30, 2025	December 31, 2024	June 30, 2024
Payment on behalf of others	Associates – Allwin Thailand	<u>\$ 7,699</u>	<u>-</u>	<u>-</u>

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2025	2024	2025	2024
Short-term employee benefits	\$ 6,365	6,342	12,700	12,683
Post-employment benefits	279	277	557	555
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 6,644</u>	<u>6,619</u>	<u>13,257</u>	<u>13,238</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	June 30, 2025	December 31, 2024	June 30, 2024
Land	Guarantee for bank loans	\$ 308,676	296,916	296,916
Buildings	Guarantee for bank loans	830,793	905,842	938,909
		<u>\$ 1,139,469</u>	<u>1,202,758</u>	<u>1,235,825</u>

(9) Significant commitments and contingencies:

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

	June 30, 2025	December 31, 2024	June 30, 2024
Acquisition of property, plant and equipment	\$ <u>18,790</u>	<u>35,618</u>	<u>16,467</u>

(10) Losses due to major disasters:None

(11) Subsequent events:None

(Continued)

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

(12) Other:

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

By item	For the three months ended June 30					
	2025			2024		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	82,698	55,031	137,729	90,489	68,397	158,886
Labor and health insurance	9,629	6,069	15,698	10,552	5,432	15,984
Pension	4,354	19,996	24,350	5,138	2,372	7,510
Others	1,650	606	2,256	2,541	800	3,341
Depreciation	57,872	10,127	67,999	70,267	10,776	81,043
Amortization	705	4,003	4,708	1,294	4,153	5,447

By item	For the six months ended June 30					
	2025			2024		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefits						
Salary	163,556	114,049	277,605	194,955	145,789	340,744
Labor and health insurance	18,903	12,151	31,054	21,996	10,903	32,899
Pension	8,642	22,497	31,139	10,736	4,795	15,531
Others	3,465	1,395	4,860	4,944	1,573	6,517
Depreciation	118,734	20,794	139,528	142,545	21,584	164,129
Amortization	2,109	7,306	9,415	2,401	7,913	10,314

(b) Seasonlity of operation

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

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2025:

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

(Amounts in Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	REXON INDUSTRIAL CORP., LTD	Tongxiang Rexon	2	1,454,951	-	-	-	-	%	1,454,951	Y	N	Y

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

Note2 : No.0 represents the parent company.

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

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

(iii) Securities held as of June 30, 2025 (excluding investment in subsidiaries, associates and joint ventures):

(Amounts in Thousands of New Taiwan Dollars)

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

(iv) 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	175,635	11 %	90~150Days	(Note1)	(Note2)	(139,225)	14 %	

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

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

(Continued)

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

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

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Name of Counter-party	Name of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tongxiang Rexon	REXON INDUSTRIAL CORP., LTD.	Parent company	Account receivable 139,225	3.42 %	-	-	The recovery amount as of August 6, 2025 : 26,217	-

(vi) Business relationships and significant intercompany transactions:

(Amounts in Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (Note2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Purchases	175,635	The prices were agreed upon by the two parties to the transaction.	7.96 %
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Account payable	139,225	The payment terms were agreed upon by the two parties to the transaction.	1.90 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology	1	Purchases	38,862	The prices were agreed upon by the two parties to the transaction.	1.76 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology	1	Account payable	17,710	The payment terms were agreed upon by the two parties to the transaction.	0.24 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Service fee	18,992	The prices were agreed upon by the two parties to the transaction.	0.86 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Other payable	118,698	The payment terms were agreed upon by the two parties to the transaction.	1.62 %

Note1 : Representations of No. were as follows:

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

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

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

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

The following is the information on investees for the six months ended June 30, 2025 (excluding information on investees in Mainland China):

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2025			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2025	December 31, 2024	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 %	18,074	3,035	486	Investment Using Equity Method
REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd. (Rexon Tech)	R.O.C	Manufacture and sale of electric components	293,741	293,741	7,851	82.87 %	97,848	(11,786)	(9,768)	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 %	158,631	(1,878)	(1,803)	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 %	550,174	(24,361)	(24,361)	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Rexon Industrial Company Ltd.(Vietnam)	Vietnam	Manufacture and sale of fitness equipment.	388,111	-	VND335,598 (Note 1)	100 %	367,710	(1,579)	(1,579)	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Allwin Electromechanical Technology (Thailand) CO.,Ltd.	Thailand	Manufacture and sale of various machinery, woodworking machines, and components	99,000	-	1,018	21.76 %	91,552	(7,414)	(1,143)	Investment Using Equity Method

(Continued)

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2025			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2025	December 31, 2024	Shares (thousands)	Percentage of ownership	Carrying value			
Gold Item	Gold Tech Group Ltd.	Hong Kong	Investing and holding	US\$25,000	US\$25,000	US\$25,000 (Note 1)	100.00 %	529,686	(24,361)	(24,361)	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 Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2025	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of June 30, 2025	Accumulated remittance of earnings as of June 30, 2025
					Outflow	Inflow						
Tongxiang Rexion	Manufacture of drills, woodworking tools and fitness equipment	CNY154,465 (USD 25,000)	(Note 1)	USD 25,000 (NTD 745,565)	-	-	USD 25,000 (NTD 745,565)	24,367	100 %	24,367	529,686	-

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$ 25,000 (NT\$745,565)	US\$ 25,000 (NT\$745,565)	2,165,413

(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".

(14) Segment information

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