

REXON INDUSTRIAL CORP., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024**

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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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Parent Company Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material accounting policies	10~24
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	24~25
(6) Explanation of significant accounts	25~52
(7) Related-party transactions	52~55
(8) Pledged assets	55
(9) Significant commitments and contingencies	55
(10) Losses due to major disasters	55
(11) Subsequent events	55
(12) Other	56
(13) Other disclosures	
(a) Information on significant transactions	57
(b) Information on investees	58
(c) Information on investment in mainland China	58
(14) Segment information	58
9. Statement of Significant accounts	59~72



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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, 2025 and 2024, 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, 2025 and 2024, 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(o) 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, 2026

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, 2025 and 2024
(Expressed in thousands of New Taiwan Dollar)

Assets		December 31, 2025		December 31, 2024		Liabilities and Equity		December 31, 2025		December 31, 2024	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6 (a))	\$ 1,804,839	22	2,238,708	31	2100	Short-term borrowings (note 6 (j) and 8)	\$ 300,000	4	400,000	5
1110	Current financial assets at fair value through profit or loss	96	-	96	-	2130	Current contract liabilities (note 6 (t))	65,669	1	40,870	1
1150	Notes receivable, net (note 6 (b))	-	-	44	-	2150	Notes payable	298,829	4	133,643	2
1160	Notes receivable due from related parties, net (note 6 (b) and 7)	13,595	-	9,966	-	2160	Notes payable to related parties (note 7)	200	-	170	-
1170	Accounts receivable, net (note 6 (b))	1,285,924	16	638,120	9	2170	Accounts payable	1,094,948	13	550,430	8
1180	Accounts receivable due from related parties, net (note 6 (b) and 7)	8,296	-	5,239	-	2180	Accounts payable to related parties (note 7)	233,714	3	277,781	4
1200	Other receivables, net (note 6 (c))	784	-	2,769	-	2200	Other payables (note 6 (m))	818,845	10	798,797	11
1210	Other receivables due from related parties, net (note 6 (c) and 7)	57,069	1	5,049	-	2220	Other payables to related parties (note 7)	125,248	2	133,382	2
130X	Inventories (note 6 (d))	461,882	6	375,726	5	2230	Current tax liabilities	19,524	-	35,636	-
1479	Other current assets (note 6 (i) and 7)	68,017	1	47,663	1	2365	Current provisions (note 6 (o))	218,795	3	198,353	3
		<u>3,700,502</u>	<u>46</u>	<u>3,323,380</u>	<u>46</u>	2280	Current lease liabilities (note 6 (n))	8,049	-	8,052	-
Non-current assets:						2320	Long-term borrowing, current portion (note 6 (l) and 8)	207,262	2	165,000	2
1550	Investments accounted for using equity method, net (note 6 (e))	1,501,563	19	934,691	13	2399	Other current liabilities, others (note 6 (k))	272,437	3	537,128	7
1600	Property, plant and equipment (note 6 (f) and 8)	2,540,276	31	2,635,282	35			<u>3,663,520</u>	<u>45</u>	<u>3,279,242</u>	<u>45</u>
1755	Right-of-use assets (note 6 (g))	23,394	-	28,554	-	Non-Current liabilities:					
1780	Intangible assets (note 6 (h))	21,758	-	14,073	-	2540	Long-term borrowings (note 6 (l) and 8)	545,833	7	87,500	1
1840	Deferred tax assets (note 6 (p))	93,488	1	115,839	2	2580	Non-current lease liabilities (note 6 (n))	15,784	-	20,898	-
1920	Guarantee deposits paid	680	-	1,298	-			<u>561,617</u>	<u>7</u>	<u>108,398</u>	<u>1</u>
1975	Net defined benefit asset, non-current (note 6 (o))	275,683	3	240,780	3	Total liabilities		<u>4,225,137</u>	<u>52</u>	<u>3,387,640</u>	<u>46</u>
1990	Other non-current assets (note 6 (i) and 7)	29,779	-	38,800	1	Equity: (note 6 (r))					
		<u>4,486,621</u>	<u>54</u>	<u>4,009,317</u>	<u>54</u>	3100	Share capital	1,814,735	22	1,814,735	25
						3200	Capital surplus	586	-	586	-
						3300	Retained earnings	2,268,811	28	2,248,871	31
						3400	Other equity	(122,146)	(2)	(119,135)	(2)
						Total equity		<u>3,961,986</u>	<u>48</u>	<u>3,945,057</u>	<u>54</u>
Total assets		<u>\$ 8,187,123</u>	<u>100</u>	<u>7,332,697</u>	<u>100</u>	Total liabilities and equity		<u>\$ 8,187,123</u>	<u>100</u>	<u>7,332,697</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, 2025 and 2024****(Expressed in thousands of New Taiwan Dollar , except earnings per share)**

	2025		2024	
	Amount	%	Amount	%
4000 Operating revenue (note 6 (t) and 7)	\$ 5,335,758	100	6,014,984	100
5000 Operating costs (note 6 (d) 、(h) 、(p) and 7)	4,649,420	87	5,174,265	86
Gross profit from operations	686,338	13	840,719	14
6000 Operating expenses (note 6 (h) 、(p) 、(u) and 7):				
6100 Selling expenses	227,634	4	274,081	5
6200 Administrative expenses	196,202	4	150,788	3
6300 Research and development expenses	156,985	3	152,567	3
	580,821	11	577,436	11
Net operating income	105,517	2	263,283	3
7000 Non-operating income and expenses: (note 6 (v))				
7100 Interest income	40,933	1	72,579	1
7010 Other income	273,028	4	32,366	1
7020 Other gains and losses, net (note 6 (f) and 7)	(56,669)	(1)	80,893	1
7050 Finance costs (note 6 (n))	(16,980)	-	(13,554)	-
7070 Share of loss of subsidiaries and associates for using equity method, net (note 6 (e))	(126,016)	(2)	(34,293)	(1)
	114,296	2	137,991	2
7900 Profit before income tax	219,813	4	401,274	5
7950 Income tax expense (note 6 (q))	43,506	1	82,442	1
8200 Profit	176,307	3	318,832	4
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))	25,106	1	16,525	-
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation (note 6 (r))	(3,763)	-	41,454	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (q))	752	-	(8,291)	-
	(3,011)	-	33,163	1
8300 Other comprehensive income (after tax)	22,095	1	49,688	1
8500 Comprehensive income	\$ 198,402	4	368,520	5
Earnings per share(NT dollars) (note 6 (s))				
9750 Basic earnings per share	\$ 0.97		1.76	
9850 Diluted earnings per share	\$ 0.97		1.74	

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, 2025 and 2024
(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, 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	-	-	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 period	-	-	-	-	318,832	318,832	-	318,832
Other comprehensive income for the period	-	-	-	-	16,525	16,525	33,163	49,688
Total comprehensive income	-	-	-	-	335,357	335,357	33,163	368,520
Balance on December 31, 2024	\$ 1,814,735	586	506,988	152,298	1,589,585	2,248,871	(119,135)	3,945,057
Balance on January 1, 2025	\$ 1,814,735	586	506,988	152,298	1,589,585	2,248,871	(119,135)	3,945,057
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	33,536	-	(33,536)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(181,473)	(181,473)	-	(181,473)
Reversal of special reserve	-	-	-	(33,163)	33,163	-	-	-
	-	-	33,536	(33,163)	(181,846)	(181,473)	-	(181,473)
Profit for the period	-	-	-	-	176,307	176,307	-	176,307
Other comprehensive income for the period	-	-	-	-	25,106	25,106	(3,011)	22,095
Total comprehensive income	-	-	-	-	201,413	201,413	(3,011)	198,402
Balance on December 31, 2025	\$ 1,814,735	586	540,524	119,135	1,609,152	2,268,811	(122,146)	3,961,986

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, 2025 and 2024

(Expressed in thousands of New Taiwan Dollar)

	2025	2024
Cash flows from (used in) operating activities:		
Profit before tax	\$ 219,813	401,274
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	203,504	246,622
Amortization expense	16,375	17,784
Interest expense	16,979	13,554
Interest income	(40,933)	(72,579)
Share of loss of subsidiaries and associates for using equity method	126,016	34,293
(Profit) losses on disposal of property, plant and equipment	(654)	13,005
Impairment loss of property, plant and equipment	6,084	43,735
Compensation income	(180,043)	-
Total adjustments to reconcile profit	147,328	296,414
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	44	9
(Increase) decrease in notes receivable due from related parties	(3,629)	1,047
(Increase) decrease in accounts receivable	(647,804)	359,099
(Increase) decrease in accounts receivable due from related parties	(3,057)	2,449
Decrease in other receivable	1,801	1,714
Increase in other receivable due from related parties	(52,020)	(327)
(Increase) decrease in inventories	(86,156)	270,492
(Increase) decrease in other current assets	(20,354)	40,555
Increase in assets recognised from costs to fulfil contracts with customers	(9,797)	(4,115)
Decrease in other operating assets	849	1,513
Total changes in operating assets	(820,123)	672,436
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	24,799	(8,321)
Increase (decrease) in notes payable	165,186	(458,056)
Increase in notes payable to related parties	30	109
Increase (decrease) in accounts payable	544,518	(1,147,588)
(Decrease) increase in accounts payable to related parties	(44,067)	5,165
Increase in other payable	10,940	69,990
(Decrease) increase in other payable to related parties	(8,134)	23,613
Decrease in other current liabilities	(64,206)	(18,669)
Total changes in operating liabilities	629,066	(1,533,757)
Total changes in operating assets and liabilities	(191,057)	(861,321)
Total adjustments	(43,729)	(564,907)
Cash inflow (outflow) generated from operations	176,084	(163,633)
Interest received	41,117	70,654
Interest paid	(16,737)	(14,115)
Income taxes paid	(36,515)	(96,997)
Net cash flows from (used in) operating activities	163,949	(204,091)
Cash flows used in investing activities:		
Acquisition of investments accounted for using equity method	(696,971)	-
Acquisition of property, plant and equipment	(118,284)	(21,174)
Proceeds from disposal of property, plant and equipment	55,103	790
Decrease in refundable deposits	618	982
Acquisition of intangible assets	(24,060)	(16,159)
Increase in prepayments for business facilities	(25,356)	(20,413)
Cash dividends received	320	-
Net cash flows used in investing activities	(808,630)	(55,974)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	500,000	1,400,000
Decrease in short-term borrowings	(600,000)	(1,500,000)
Increase from long-term borrowings	725,000	100,000
Repayments of long-term borrowings	(224,405)	(446,667)
Cash dividends paid	(181,473)	(217,768)
Payment of lease liabilities	(8,310)	(8,592)
Net cash flows from (used in) financing activities	210,812	(673,027)
Net decrease in cash and cash equivalents	(433,869)	(933,092)
Cash and cash equivalents at beginning of period	2,238,708	3,171,800
Cash and cash equivalents at end of period	\$ 1,804,839	2,238,708

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, 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 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, 2026.

(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, 2025:

- Amendments to IAS21 “Lack of Exchangeability”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

- (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, 2026, would not have a significant impact on its 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”

- (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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

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.

(Continued)

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

The Company 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 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” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

(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.

(Continued)

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

(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.

(Continued)

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

(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.

(Continued)

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

(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.

(Continued)

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

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 ;

(Continued)

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

- 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.

(Continued)

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

3) Financial liabilities

Financial liabilities are classified and measured at amortized cost. These financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) 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.

5) 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.

(Continued)

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

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	1 ~ 60 years
2) Machinery and equipment	1 ~ 13 years
3) Mold and tooling equipment	2 ~ 10 years
4) Office equipment and other facilities	2 ~ 10 years

(Continued)

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

- 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	50 years	Conveyer	13 years
Electrical and mechanical in construction	50 years	Other	1 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.

(Continued)

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

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’.

(Continued)

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

(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, including computer software, 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 1~3years

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.

(Continued)

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

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.

(Continued)

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

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(n).

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.

(Continued)

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

(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

(Continued)

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

- 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.

(Continued)

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

(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, 2025	December 31, 2024
Petty cash and cash on hand	\$ 1,076	1,367
Checking and demand deposits	1,269,453	1,220,851
Time deposits	<u>534,310</u>	<u>1,016,490</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 1,804,839</u>	<u>2,238,708</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.
Notes to the Parent Company Only Financial Statements

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

	December 31, 2025	December 31, 2024
Notes receivable from operating activities	\$ -	44
Notes receivable from operating activities-related parties	13,595	9,966
Less: Loss allowance	-	-
	<u>\$ 13,595</u>	<u>10,010</u>
Accounts receivable-measured at amortized cost	\$ 1,287,527	639,723
Accounts receivable from related parties-measured at amortized cost	8,296	5,239
Less: Loss allowance	(1,603)	(1,603)
	<u>\$ 1,294,220</u>	<u>643,359</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, 2025		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,120,565	-	-
1 to 90 days past due	187,045	0.85%	1,592
91 to 180 days past due	1,808	0.62%	11
181 to 360 days past due	-	-	-
Over 360 days past due	-	-	-
	<u>\$ 1,309,418</u>		<u>1,603</u>
	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	-	-	-
	<u>\$ 654,972</u>		<u>1,603</u>

(Continued)

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

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

	<u>2025</u>	<u>2024</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, 2025 and 2024.

(c) **Other receivables**

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Other receivables	\$ 12,031	14,016
Other receivables-related parties	57,069	5,049
Less: Loss allowance	<u>(11,247)</u>	<u>(11,247)</u>
	<u>\$ 57,853</u>	<u>7,818</u>

(i) As of December 31, 2025 and 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:

	<u>2025</u>	<u>2024</u>
Balance on January 1 (which is balance at December 31)	\$ <u>11,247</u>	<u>11,247</u>

(d) **Inventories**

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Finished goods	\$ 187,802	152,995
Work in progress	54,201	38,319
Materials	23,703	28,094
Parts	193,596	152,602
Merchandise	<u>2,580</u>	<u>3,716</u>
	<u>\$ 461,882</u>	<u>375,726</u>

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

	<u>2025</u>	<u>2024</u>
Inventory scrap loss	\$ 661	5,750
Inventory deficit	(46)	(114)
Revenue from sale of scraps	<u>(3,079)</u>	<u>(4,030)</u>
	<u>\$ (2,464)</u>	<u>1,606</u>

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

(Continued)

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

(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:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Subsidiary	\$ 1,406,552	918,386
Associates	<u>95,011</u>	<u>16,305</u>
	<u>\$ 1,501,563</u>	<u>934,691</u>

(i) Subsidiary

Please refer to the consolidated financial report of the 2025.

(ii) Associates

Affiliated company's information:

<u>Name of Associates</u>	<u>Nature of relationship with the Company</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>	
			<u>December 31, 2025</u>	<u>December 31, 2024</u>
Fine Clear Corp., Ltd.	Sale of pneumatic nail gun and accessories, which is the Company's investment	Taiwan	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 Company'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.

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Carrying amount of individually insignificant associates' equity	<u>\$ 95,011</u>	<u>16,305</u>

(Continued)

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

	2025	2024
Attributable to the Company:		
Profit from continuing operations	\$ (21,999)	142
Other comprehensive income	2,025	-
Comprehensive income	\$ (19,974)	142

(iii) As of December 31, 2025 and 2024, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(f) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Mold and tooling equipment	Office equipment and other facilities	Total
Cost or deemed cost:						
Balance on January 1, 2025	\$ 1,161,609	2,128,450	731,152	693,413	105,857	4,820,481
Additions	65,664	15,491	28,070	14,410	3,515	127,150
Disposal	-	-	(79,479)	(20,432)	(2,743)	(102,654)
Reclassification	-	277	27,504	5,747	-	33,528
Balance on December 31, 2025	\$ 1,227,273	2,144,218	707,247	693,138	106,629	4,878,505
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	\$ 1,161,609	2,128,450	731,152	693,413	105,857	4,820,481
Depreciation and impairment loss:						
Balance on January 1, 2025	\$ -	925,011	525,677	644,309	90,202	2,185,199
Depreciation	-	76,977	76,851	35,046	6,277	195,151
Disposal	-	-	(27,650)	(18,065)	(2,490)	(48,205)
Impairment loss	-	-	6,084	-	-	6,084
Balance on December 31, 2025	\$ -	1,001,988	580,962	661,290	93,989	2,338,229
Balance on January 1, 2024	\$ -	841,202	397,711	623,600	98,600	1,961,113
Depreciation	-	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	\$ -	925,011	525,677	644,309	90,202	2,185,199
Carrying amounts:						
Balance on December 31, 2025	\$ 1,227,273	1,142,230	126,285	31,848	12,640	2,540,276
Balance on January 1, 2024	\$ 1,161,609	1,275,687	314,553	102,584	21,187	2,875,620
Balance on December 31, 2024	\$ 1,161,609	1,203,439	205,475	49,104	15,655	2,635,282

(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.

(Continued)

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

- (ii) As of December 31, 2025 and 2024, the Company recognized impairment loss of \$6,084 thousand and \$43,735 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(v).
- (iv) As of December 31, 2025 and 2024, property, plant and equipment of the Company had been pledged as collateral for long-term loans; please refer to note 8.

(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>Vehicles</u>	<u>Total</u>
Cost:			
Balance at January 1, 2025	\$ 27,981	17,275	45,256
Additions	-	3,193	3,193
Reductions	-	(4,228)	(4,228)
Balance at December 31, 2025	<u>\$ 27,981</u>	<u>16,240</u>	<u>44,221</u>
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>17,275</u>	<u>45,256</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2025	\$ 10,260	6,442	16,702
Depreciation	2,499	5,854	8,353
Reductions	-	(4,228)	(4,228)
Balance at December 31, 2025	<u>\$ 12,759</u>	<u>8,068</u>	<u>20,827</u>
Balance at January 1, 2024	\$ 7,462	15,046	22,508
Depreciation	2,798	5,870	8,668
Reductions	-	(14,474)	(14,474)
Balance at December 31, 2024	<u>\$ 10,260</u>	<u>6,442</u>	<u>16,702</u>
Carrying amount:			
Balance at December 31, 2025	<u>\$ 15,222</u>	<u>8,172</u>	<u>23,394</u>
Balance at January 1, 2024	<u>\$ 20,519</u>	<u>5,347</u>	<u>25,866</u>
Balance at December 31, 2024	<u>\$ 17,721</u>	<u>10,833</u>	<u>28,554</u>

As of December 31, 2025 and 2024, the right-of-use assets of the Company were not pledged as collateral

(Continued)

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

(h) **Intangible assets**

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

	Computer Software
Balance at January 1, 2025	\$ 172,392
Additions	24,060
Reductions	(8,399)
Balance at December 31, 2025	\$ 188,053
Balance at January 1, 2024	\$ 156,233
Additions	16,159
Balance at December 31, 2024	\$ 172,392
Amortization and impairment Loss:	
Balance at January 1, 2025	\$ 158,319
Amortization	16,375
Reduce	(8,399)
Balance at December 31, 2025	\$ 166,295
Balance at January 1, 2024	\$ 140,535
Amortization	17,784
Balance at December 31, 2024	\$ 158,319
Carrying value:	
Balance at December 31, 2025	\$ 21,758
Balance at January 1, 2024	\$ 15,698
Balance at December 31, 2024	\$ 14,073

(i) **Amortization**

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

	2025	2024
Operating cost	\$ 3,172	5,067
Operating expenses	13,203	12,717
	\$ 16,375	17,784

(ii) **Disclosure on pledges**

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

(Continued)

REXON INDUSTRIAL CORP., LTD.
Notes to the Parent Company Only 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>December 31, 2025</u>	<u>December 31, 2024</u>
Other current assets:		
Business tax receivables	\$ 39,528	20,195
Prepayments	16,639	15,620
Others	<u>11,850</u>	<u>11,848</u>
	<u>\$ 68,017</u>	<u>47,663</u>
Other non-current assets:		
Prepayments for equipment	\$ 29,290	37,462
Others	<u>489</u>	<u>1,338</u>
	<u>\$ 29,779</u>	<u>38,800</u>

(j) **Short-term borrowings**

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Unsecured bank loans	\$ 100,000	400,000
Secured bank loans	<u>200,000</u>	<u>-</u>
	<u>\$ 300,000</u>	<u>400,000</u>
Unused short-term credit lines	<u>\$ 3,050,000</u>	<u>3,400,000</u>
Range of interest rate	<u>1.75%</u>	<u>1.725%~1.9263%</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, 2025</u>	<u>December 31, 2024</u>
Temporary receipts-tooling	\$ 262,636	323,534
Temporary receipt	-	204,767
Advance receipts	3,566	3,566
Others	<u>6,235</u>	<u>5,261</u>
	<u>\$ 272,437</u>	<u>537,128</u>

The temporary receipt represent compensation from customers for canceled sales orders. As the Company has clarified the related performance obligations with the relevant suppliers in accordance with the customers' compensation agreements, an amount of NT\$180,043 thousand was recognized as compensation income in 2025. Please refer to Note 6(v).

(Continued)

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

(l) **Long-term borrowings**

The details of long-term borrowings were as follows:

December 31, 2025				
	Currency	Rate	Maturity year	Amount
Secured bank loans	NTD	1.96%~2.04%	2027~2028	\$ 250,000
Unsecured bank loans	NTD	1.8%~1.97%	2026~2032	503,095
				753,095
Less : current portion				(207,262)
				\$ 545,833
Unused long-term credit lines				\$ 150,000
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)
				\$ 87,500
Unused long-term credit lines				\$ -

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

(m) **Trade and notes payable**

	December 31, 2025	December 31, 2024
Advertising expenses	\$ 574,250	537,729
Employee year-end bonuses, salaries, and unused vacation payable	91,299	87,570
Employee compensation and directors' remuneration	43,225	51,697
Others	110,071	121,801
	\$ 818,845	798,797

(n) **Lease liabilities**

	December 31, 2025	December 31, 2024
Current	\$ 8,049	8,052
Non-current	\$ 15,784	20,989

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

(Continued)

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

The amounts recognized in profit or loss were as follows:

	<u>2025</u>	<u>2024</u>
Interest on lease liabilities	\$ <u>341</u>	<u>353</u>

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

	<u>2025</u>	<u>2024</u>
Total cash outflow for leases	\$ <u>8,651</u>	<u>8,945</u>

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

(o) **Provisions**

	<u>Warranties</u>
Balance at January 1, 2025	\$ 198,353
Provisions made during the year	56,235
Provisions used during the year	<u>(35,793)</u>
Balance at December 31, 2025	<u>\$ 218,795</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>

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

(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>2025</u>	<u>December 31,</u> <u>2024</u>
Present value of the defined benefit obligations	\$ 1,485	126,541
Fair value of plan assets	<u>(277,168)</u>	<u>(367,321)</u>
Net defined benefit asset	<u>\$ (275,683)</u>	<u>(240,780)</u>

(Continued)

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

The Company's employee benefit liabilities were as follows:

	December 31, 2025	December 31, 2024
Vacation liability	<u>\$ 16,426</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 \$277,168 thousand as of December 31, 2025. 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, 2025 and 2024 were as follows:

	2025	2024
Defined benefit obligations at January 1	\$ 126,541	156,035
Current service costs and interest cost	1,468	2,881
Remeasurements of the net defined benefit liability (asset)		
— Due to experience adjustments of actuarial (losses) gains	547	8,655
— Due to changes in financial assumption of actuarial (losses) gains	446	7,007
Benefits paid	<u>(127,517)</u>	<u>(48,037)</u>
Defined benefit obligations at December 31	<u>\$ 1,485</u>	<u>126,541</u>

(Continued)

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

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>2025</u>	<u>2024</u>
Fair value of plan assets at January 1	\$ 367,321	376,175
Interest income	6,949	6,098
Remeasurement of the net defined benefit liability (asset)		
— Return on plan assets (excluding interest income)	26,099	32,187
Benefits paid	121	898
Expected return on plan assets	<u>(123,322)</u>	<u>(48,037)</u>
Fair value of plan assets at December 31	<u><u>\$ 277,168</u></u>	<u><u>367,321</u></u>

4) Expenses recognized in profit or loss

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

	<u>2025</u>	<u>2024</u>
Current service costs	\$ 19,715	367
Net interest of net liabilities (asset) for defined benefit obligations	<u>(5,681)</u>	<u>(3,584)</u>
	<u><u>\$ 14,034</u></u>	<u><u>(3,217)</u></u>
	<u>2025</u>	<u>2024</u>
Recognized pension expenses	<u><u>\$ 14,034</u></u>	<u><u>(3,217)</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, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Cumulative amount at January 1	\$ 18,299	1,774
Recognized during the period	<u>25,106</u>	<u>16,525</u>
Accumulated amount at December 31	<u><u>\$ 43,405</u></u>	<u><u>18,299</u></u>

(Continued)

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

6) Actuarial assumptions

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Discount rate	2.000 %	2.000 %
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 \$0 thousand.

The weighted average lifetime of the defined benefit plans is 32.44 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, 2025		
Discount rate	\$ (114)	(124)
Future salary increases	123	(113)
December 31, 2024		
Discount rate	\$ (2,984)	3,084
Future salary increases	2,983	(2,903)

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 2025 and 2024.

(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 \$19,847 thousand and \$18,243 thousand for the years ended December 31, 2025 and 2024, respectively.

(Continued)

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

(q) **Income taxes**

(i) **Income tax expense**

The components of income tax in the years 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Current tax expense		
Current period	\$ 23,605	73,811
Adjustment for prior periods	<u>(3,202)</u>	<u>(3)</u>
	<u>\$ 20,403</u>	<u>73,808</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>23,103</u>	<u>8,634</u>
Income tax expense	<u>\$ 43,506</u>	<u>82,442</u>

The amounts of income tax recognized directly in other comprehensive income for 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation	<u>\$ (752)</u>	<u>8,291</u>

Reconciliation of income tax and profit before tax for 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Profit excluding income tax	<u>\$ 219,813</u>	<u>401,274</u>
Income tax calculated based on statutory tax rates	\$ 43,963	80,254
Other tax effect generated from adjustment in tax rate	(330)	(9,637)
Non-deductible expenses	29	-
Tax effect of investment loss generated from investment accounted for using equity method	(2,173)	(10)
Changes in unrecognised temporary differences	1,217	8,747
Adjustment of current taxes in respect of prior year	(3,202)	(3)
Additional tax on undistributed earnings	<u>4,002</u>	<u>3,091</u>
Income tax expense	<u>\$ 43,506</u>	<u>82,442</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, 2025</u>	<u>December 31, 2024</u>
Tax effect of deductible temporary differences	<u>\$ 33,729</u>	<u>32,512</u>

(Continued)

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2025 and 2024 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, 2025	\$ 15,606	39,671	9,838	23,134	15,010	12,580	115,839
Recognized in profit or loss	-	4,089	(7,951)	(23,030)	-	3,789	(23,103)
Recognized in other comprehensive income	-	-	-	-	752	-	752
Balance at December 31, 2025	<u>\$ 15,606</u>	<u>43,760</u>	<u>1,887</u>	<u>104</u>	<u>15,762</u>	<u>16,369</u>	<u>93,488</u>
Balance at January 1, 2024	\$ 15,606	49,235	18,955	16,199	23,301	9,468	132,764
Recognized in profit or loss	-	(9,564)	(9,117)	6,935	-	3,112	(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>9,838</u>	<u>23,134</u>	<u>15,010</u>	<u>12,580</u>	<u>115,839</u>

3) Assessment of tax

The income tax returns of the Company for the years through 2023 were assessed by the tax authorities.

(r) **Capital and other equity**

As of December 31, 2025 and 2024, 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, 2025 and 2024 were as follows:

(In thousands of shares)	<u>Ordinary shares</u>	
	<u>2025</u>	<u>2024</u>
Balance at January 1 (which is balance at December 31)	<u>181,473</u>	<u>181,473</u>

(i) Capital Surplus

Balance of capital surplus was as following:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Treasury share transactions	\$ 433	433
Changes in the net equity value of subsidiaries recognized using the equity method	<u>153</u>	<u>153</u>
	<u>\$ 586</u>	<u>586</u>

(Continued)

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

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.

If all or part of the dividends and bonuses are to be distributed in cash, the Board of Directors is authorized to do so upon the attendance of at least two-thirds of the directors and the approval of a majority of the directors present, and such distribution shall be reported to the stockholders' meeting.

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 \$119,135 thousand and \$152,298 thousand for the years ended December 31, 2025 and 2024, respectively.

(Continued)

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 2024 and 2023 had been approved by the board on February 26, 2025 and February 27, 2024, respectively. These earnings were appropriated as follows:

	<u>2024</u>		<u>2023</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>1.0</u>	<u>181,473</u>	<u>1.2</u>	<u>217,768</u>

The amounts of cash dividends on the appropriation of earnings for 2025 had been approved by the board on February 26, 2026, as follow:

	<u>2025</u>	
	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ <u>0.60</u>	<u>10,884</u>

(iii) OCI accumulated in reserves, net of tax

	<u>Exchange differences on translation of foreign financial statements</u>
Balance at January 1, 2025	\$ (119,135)
Exchange differences on foreign operations	(3,011)
Balance at December 31, 2025	<u>\$ (122,146)</u>
Balance at January 1, 2024	\$ (152,298)
Exchange differences on foreign operations	33,163
Balance at December 31, 2024	<u>\$ (119,135)</u>

(Continued)

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

(s) **Earnings per share**

The details on the calculation of basic earnings per share and diluted earnings per share for years 2025 and 2024 were as follows:

Basic earnings per share

	<u>2025</u>	<u>2024</u>
Net profit attributable to ordinary shareholders of the Company	\$ <u>176,307</u>	<u>318,832</u>
Weighted-average number of ordinary shares	<u>181,473</u>	<u>181,473</u>
	\$ <u>0.97</u>	<u>1.76</u>

Diluted earnings per share

Net profit attributable to ordinary shareholders of the Company	\$ <u>176,307</u>	<u>318,832</u>
Weighted-average number of ordinary shares	181,473	181,473
Effect of employee share bonus(diluted)	<u>91</u>	<u>1,497</u>
Weighted average number of ordinary shares (diluted)	<u>181,564</u>	<u>182,970</u>
	\$ <u>0.97</u>	<u>1.74</u>

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

(i) Details of revenue

	<u>2025</u>	<u>2024</u>
<u>Primary geographical markets</u>		
America	\$ 4,723,134	5,543,398
Europe	407,725	250,040
Asia	203,776	227,235
Other	<u>1,123</u>	<u>(5,689)</u>
	\$ <u>5,335,758</u>	<u>6,014,984</u>
<u>Major products/services lines</u>		
Woodworking tools	\$ 572,446	952,697
Fitness equipment	4,548,601	4,648,248
Other	<u>214,711</u>	<u>414,039</u>
	\$ <u>5,335,758</u>	<u>6,014,984</u>

(ii) Contract balances

	<u>December 31, 2025</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Contract liabilities	\$ <u>65,669</u>	<u>40,870</u>	<u>49,191</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, 2025 and 2024 that was included in the contract liability balance at the beginning of the period were \$3,036 thousand and \$23,095 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.

(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 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 years ended December 31, 2025 and 2024, the Company estimated its employee remuneration amounting to \$36,825 thousand and \$45,297, 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 2025 and 2024.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income for years 2025 and 2024 were as follows:

	2025	2024
Interest income – bank deposits	<u>\$ 40,933</u>	<u>72,579</u>

(ii) Other income

The details of other income for years 2025 and 2024 were as follows:

	2025	2024
Compensation income	<u>\$ 243,409</u>	<u>-</u>
Rent income	5,600	5,589
Other	<u>24,019</u>	<u>26,777</u>
	<u>\$ 273,028</u>	<u>32,366</u>

(Continued)

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

(iii) Other income and losses

The details of other income and losses for years 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Net foreign exchange (losses) gains	\$ (51,239)	140,433
Net profit (losses) on disposal of property, plant and equipment	654	(13,005)
Impairment loss on property, plant and equipment	(6,084)	(43,735)
Others	-	(2,800)
Net other income and losses	\$ <u>(56,669)</u>	<u>80,893</u>

(iv) Finance expenses

The details of finance expenses for years 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Interest expenses	\$ <u>(16,980)</u>	<u>(13,554)</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 2025 and 2024 are accounted for 68% and 60% of revenue, respectively. To minimize credit risk, the Company periodically evaluates their financial positions and requests collateral if deemed necessary. As of December 31, 2025 and 2024, three customers accounted for 87% and 82% 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).

(Continued)

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

(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, 2025						
Non-derivative financial liabilities						
Secured bank loans	\$ 450,000	462,231	304,870	104,717	52,644	-
Unsecured loans	603,095	658,404	217,579	95,884	344,941	-
Leased liabilities (current and non-current)	23,833	24,401	8,308	5,715	9,643	735
Other payables	<u>2,571,784</u>	<u>2,571,784</u>	<u>2,571,784</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,648,712</u>	<u>3,716,820</u>	<u>3,102,541</u>	<u>206,316</u>	<u>407,228</u>	<u>735</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	-	-	-
Lease 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>

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, 2025</u>			<u>December 31, 2024</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	\$ 91,665	31.43	2,881,039	78,179	32.79	2,563,489
EUR	27	36.90	997	10	34.14	341
JPY	17,695	0.2008	3,553	10,734	0.2099	2,253
GBP	5	42.33	220	5	41.19	206

(Continued)

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

	December 31, 2025			December 31, 2024		
	Foreign Currency	Exchange Rates	TWD	Foreign Currency	Exchange Rates	TWD
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	12,209	31.43	383,727	2,629	32.79	86,205
EUR	223	36.90	8,243	227	34.14	7,750

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, 2025 and 2024 would have increased (decreased) the net profit after tax by \$19,553 thousand and \$19,778 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 2025 and 2024, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(51,239) thousand and \$140,433 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 \$8,425 thousand and \$5,220 thousand for the years ended December 31, 2025 and 2024, respectively. This is mainly due to the Company's borrowings in variable rates.

(Continued)

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

	December 31, 2024				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Short-term borrowings	\$ 400,000	-	-	-	-
Notes payable, accounts payable, and other payable(including related parties)	1,894,203	-	-	-	-
Long-term borrowings, due 1 year portion	165,000	-	-	-	-
Loan-term borrowings	87,500	-	-	-	-
Lease liabilities	28,950	-	-	-	-
	\$ 2,575,653	-	-	-	-

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 and assets 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 2025 and 2024.

(Continued)

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

- 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.

(Continued)

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

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, 2025 and 2024, the Group did not provide any guarantees or endorsements.

(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 \$3,200,000 thousand and \$3,400,000 thousand as of December 31, 2025 and 2024, 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.

(Continued)

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

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, 2025, the Company's capital management strategy is consistent with the prior year as of December 31, 2024. The Company's debt to equity ratio as of December 31, 2025 and 2024, were as follows:

	December 31, 2025	December 31, 2024
Total liabilities	\$ 4,225,137	3,387,640
Less: cash and cash equivalents	<u>(1,804,839)</u>	<u>(2,238,708)</u>
Net debt	2,420,298	1,148,932
Total equity	<u>3,961,986</u>	<u>3,945,057</u>
Adjusted equity	<u>\$ 6,382,284</u>	<u>5,093,989</u>
Debt-to-equity ratio	<u>38%</u>	<u>23%</u>

The Company debt to equity ratio was increase on December 31, 2025, due to the long-term loans undertaken for establishing the Vietnam subsidiary.

(Continued)

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

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

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

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2025	Cash flows	Non-cash changes			December 31,2025
			Acquisition	Changes in lease payments	Foreign exchange movement	
Long-term borrowings (Including due within 1 year)	\$ 252,500	500,595	-	-	-	753,095
Short-term borrowings	400,000	(100,000)	-	-	-	300,000
Lease liabilities	28,950	(8,310)	3,193	-	-	23,833
Total liabilities from financing \$	<u>681,450</u>	<u>392,285</u>	<u>3,193</u>	<u>-</u>	<u>-</u>	<u>1,076,928</u>

	January 1,2024	Cash flows	Non-cash changes			December 31,2024
			Acquisition	Changes in lease payments	Foreign exchange movement	
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	26,186	(8,592)	11,356	-	-	28,950
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>

(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 party</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
Rexion Industrial Company Ltd. (Vietnam) (Rexion Vietnam)	Subsidiaries
Fine Clear Co., Ltd. (Fine Clear)	An associate
Allwin Electromechanical Technology (Thailand) Co., Ltd. (Allwin Thailand)	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>2025</u>	<u>2024</u>
Associates – Fine Clear	\$ 45,179	46,818
Subsidiaries – Other	<u>7,238</u>	<u>327</u>
	<u>\$ 52,417</u>	<u>47,145</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>2025</u>	<u>2024</u>
Subsidiaries – Tongxiang Rexon	\$ 406,717	761,469
Subsidiaries – Rexon Tech	<u>76,045</u>	<u>87,644</u>
	<u>\$ 482,762</u>	<u>849,113</u>

In 2025 and 2024, the subsidiaries were purchased the parts from the company \$6,983 thousand and \$6,023 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 general payment terms range from 7 to 90 days. 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,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Notes receivable	Associates – Fine Clear	\$ <u>13,595</u>	<u>9,966</u>
Accounts receivable	Associates – Fine Clear	\$ <u>8,296</u>	<u>5,239</u>
Other receivables	Subsidiaries- Rexon Tech	\$ -	8
	Subsidiaries – Tongxiang Rexon	-	5,041
	Associates – Rexon Vietnam	10,859	-
	Associates – Allwin Thailand	<u>46,210</u>	<u>-</u>
		<u>\$ 57,069</u>	<u>5,049</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, 2025</u>	<u>December 31, 2024</u>
Notes payable	Associates – Fine Clear	\$ <u>200</u>	<u>170</u>
Accounts payables	Subsidiaries – Tongxiang Rexion	\$ 217,652	271,409
	Subsidiaries – Rexion Tech	<u>16,062</u>	<u>6,372</u>
		<u>\$ 233,714</u>	<u>277,781</u>
Other payables	Subsidiaries – P.T.S	\$ 125,082	132,335
	Subsidiaries – Tongxiang Rexion	45	1,023
	Associates – Fine Clear	<u>121</u>	<u>24</u>
		<u>\$ 125,248</u>	<u>133,382</u>

Other payables–related parties primarily represent various operating expenses advanced by the Company on behalf of related parties that have not yet been settled.

v) Prepayments

<u>Related-party type</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Subsidiary:		
PTS	\$ <u>311</u>	<u>358</u>

vi) Property Transactions

- 1) The disposals of property, plant and equipment to related parties are summarized as follows:

	<u>2025</u>		<u>2024</u>	
	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>
Associates – Rexion Vietnam	\$ 10,776	-	-	-
Associates – Allwin Thailand	<u>43,932</u>	<u>1,614</u>	<u>-</u>	<u>-</u>
	<u>\$ 54,708</u>	<u>1,614</u>	<u>-</u>	<u>-</u>

vii) Service fee

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>2025</u>	<u>2024</u>
Subsidiaries – P.T.S	\$ <u>37,439</u>	<u>38,469</u>

(Continued)

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

viii) Prepayments

<u>Account</u>	<u>Related-party type</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Payment on behalf of others	Associates – Allwin Thailand	\$ <u>35</u>	<u>-</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 25,320	25,473
Post-employment benefits	1,115	1,111
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 26,435</u>	<u>26,584</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Land	Guarantee for bank loans	\$ 296,916	296,916
Buildings	Guarantee for bank loans	450,375	483,105
		<u>\$ 747,291</u>	<u>780,021</u>

(9) Significant commitments and contingencies

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Acquisition of property, plant and equipment	\$ <u>19,921</u>	<u>35,618</u>

(10) Losses due to major disasters:None.

(11) Subsequent events:

On February 26, 2026, the Company's Board has resolved to increase investment in Allwin Thailand by amount USD 6,500 thousand.

(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	2025			2024		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefits						
Salary	306,294	209,485	515,779	289,385	181,826	471,211
Labor and health insurance	31,850	16,902	48,752	34,405	14,625	49,030
Pension	11,787	22,094	33,881	814	14,213	15,027
Remuneration of directors	-	6,400	6,400	-	6,400	6,400
Others	5,572	1,780	7,352	5,872	1,576	7,448
Depreciation	176,974	26,530	203,504	218,370	28,252	246,622
Amortization	3,172	13,203	16,375	5,067	12,717	17,784

Additional information of the number of employees and employees benefits of the Company in 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
The number of employees	<u>669</u>	<u>735</u>
The number of directors excluding the employees	<u>5</u>	<u>5</u>
The average of employees' benefit	<u>\$ 912</u>	<u>743</u>
The average of salary	<u>\$ 777</u>	<u>645</u>
The average of salary adjustment	<u>20%</u>	<u>2%</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	1,584,794	-	-	-	-	- %	1,584,794	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, 2025 (excluding investment in subsidiaries, associates and joint ventures):None

(Amounts in Thousands of New Taiwan Dollars)

- (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	406,717	10 %	90~150 Days	Note 1	Note 2	217,652	13%	

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.

- (v) 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 217,652	1.66%	-	-	The recovery amount as of February 26, 2025 : 33,392	-

(Continued)

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 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 December 31, 2025			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 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 %	16,325	2,124	340	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 %	96,409	(14,106)	(11,205)	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 %	170,023	1,607	1,543	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 %	534,460	(87,021)	(87,021)	Direct subsidiaries of the Company
REXON INDUSTRIAL CORP., LTD.	Rexon Industrial Company Ltd.(Vietnam)	Vietnam	Manufacture and sale of fitness equipment.	597,971	-	VND521,686,464 (Note 1)	100 %	605,660	(7,334)	(7,334)	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 %	78,686	(64,159)	(22,339)	Investment Using Equity Method
Gold Item	Gold Tech Group Ltd.	Hong Kong		US\$25,000	US\$25,000	US\$ 25,000 (Note 1)	100.00 %	513,861	(87,031)	(87,031)	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, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2025	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	CNY 154,465 (USD25,000)	Note 1	USD 25,000 (NTD745,565)	-	-	USD 25,000 (NTD745,565)	(87,031)	100%	(87,031)	513,861	-

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, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$25,000 (NT\$745,565)	US\$25,000 (NT\$745,565)	2,377,191

(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

Please refer to 2025 consolidated financial report.

(Continued)

REXON INDUSTRIAL CORP., LTD.**Statement of cash and cash equivalents****December 31, 2025****(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>776</u>
	Subtotal	<u>1,076</u>
Cash in bank	Foreign currency deposit	
	USD 29,987,670.46×31.43	
	JPY 17,694,872×0.2008	
	EUR 15,553.80×36.90	
	GBP 5,194.30×42.33	946,510
	VND171,279,053×0.0012)	
	Demand deposits and checking deposits	322,943
	Foreign currency fixed deposit (USD 17,000,000×31.43)	<u>534,310</u>
	Subtotal	<u>1,803,763</u>
		<u>\$ 1,804,839</u>

REXON INDUSTRIAL CORP., LTD.

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

December 31, 2025

(In thousands of New Taiwan Dollars)

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

Rexon Industrial Corp., Ltd.
Statement of notes and accounts receivables
December 31, 2025
(Expressed in thousands of New Taiwan Dollars)

<u>Customer</u>	<u>Description</u>	<u>Amount</u>
Accounts receivable:	Operating income of non related parties	
Company D	"	\$ 850,096
Company B	"	150,562
Company A	"	116,527
Other (Note 2)	"	<u>170,342</u>
		1,287,527
Less: Loss allowance		<u>(1,603)</u>
Net amount		<u>\$ 1,285,924</u>
		<u><u>\$ 1,285,924</u></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, 2025

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	
		<u>Cost</u>	<u>Market Value</u>
Automatic facilities and fitness equipment			
Finished goods		\$ 190,733	226,023
Work in progress		54,669	55,311
Raw materials		24,062	28,968
Parts		267,621	286,777
Merchandise		2,825	2,910
Less: Loss allowance		<u>(78,028)</u>	<u>-</u>
		<u>\$ 461,882</u>	<u>599,989</u>

Statement of other current assets

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Prepayment	Prepayments to suppliers	\$ 10,105
	Supplies inventory, prepaid insurance and others	<u>6,534</u>
		16,639
Tax receivables	Bussiness tax receivables	39,528
Tax receivables	Payment of mold development and others	<u>11,850</u>
		<u>\$ 68,017</u>

REXON INDUSTRIAL CORP., LTD.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2025

(In thousands of New Taiwan Dollars)

<u>Investee name</u>	<u>Beginning balance</u>		<u>Addition</u>		<u>Decrease (Note 1)</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	\$ 174,707	-	-	-	-	1,543	(6,227)	-	0.1	96.00	170,023	None
Rexon Technology Corp.,Ltd	7,851	107,614	-	-	-	-	(11,205)	-	-	7,851	82.87	96,409	None
Fine Clear Co.,Ltd	1,600	16,305	-	-	-	320	340	-	-	1,600	16.00	16,325	None
Gold Item Group Limited	-	636,065	-	-	-	-	(87,021)	(14,584)	-	-	100.00	534,460	None
Rexon Industrial Company Ltd. (Vietnam) (Rexon Vietnam)	-	-	-	597,971	-	-	(7,334)	15,023	-	-	100.00	605,660	None
Allwin Electronchemical Technology	-	-	1,018	99,000	-	-	(22,339)	2,025	-	1,018	21.76	78,686	None
		<u>\$ 934,691</u>		<u>696,971</u>		<u>320</u>	<u>(126,016)</u>	<u>(3,763)</u>	<u>-</u>			<u>1,501,563</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, 2025****(In thousands of New Taiwan Dollars)**

Related information please refers to Note 4 (j) and Note 6 (f).

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>
Taiwan Cooperative Bank	Credit loan	\$ 100,000	Due within one year	1.75%
Hua Nan Bank	Credit loan	200,000	Due within one year	1.75%
		<u>\$ 300,000</u>		

REXON INDUSTRIAL CORP., LTD.

Statement of notes payable and account payable

December 31, 2025

(In thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes payable:	Operating	
Company A	Operating	\$ 49,092
Company I	Operating	43,150
Company F	Operating	37,795
Company D	Operating	20,587
Company E	Operating	16,307
Others (Note 2)	Operating	<u>131,898</u>
		<u>\$ 298,829</u>
Accounts payable:	Operating	
Others (Note 2)	Operating	<u>1,094,948</u>
		<u>\$ 1,393,777</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
December 31, 2025
(Expressed in thousands of New Taiwan Dollars)

Related information please refer to Note 6(m).

Statement of other current liabilities
December 31, 2025
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
	Temporary collection of sales customer order cancellation fees	\$ 262,636
	Received from mold sharing payment and others	<u>9,801</u>
		<u><u>\$ 272,437</u></u>

REXON INDUSTRIAL CORP., LTD.

Statement of long-term Borrowings

December 31, 2025

(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 within one year</u>	<u>Due more than one year</u>			
Hua Nan Bank	\$ 33,333	33,333	2024.10.01~2027.10.01, payment starting from 2025.01.01, every three months payment for 12 months.	2.040%	Land, Buildings
Hua Nan Bank	66,667	116,667	2025.09.11~2028.09.11, payment starting from 2025.12.11, every three months payment for 12 months.	1.960%	Land, Buildings
Chang Hwa Bank	20,833	-	2022.05.18~2026.05.18, payment starting from 2022.06.18, monthly payment for 48 months.	1.925%	None
Chang Hwa Bank	20,000	70,000	2025.06.18~2030.06.18, payment starting from 2025.07.18, monthly payment for 60 months.	1.950%	None
Shanghai Bank	14,286	77,381	2025.06.18~2032.06.18, payment starting from 2025.06.30, monthly payment for 84 months.	1.970%	None
Chang Hwa Bank	20,000	71,666	2025.07.08~2030.07.08, payment starting from 2025.08.08, every three months payment for 60 months.	1.950%	None
Shanghai Bank	32,143	176,786	2025.07.08~2032.07.08, payment starting from 2025.07.30, monthly payment for 84 months.	1.970%	None
	<u>\$ 207,262</u>	<u>545,833</u>			

REXON INDUSTRIAL CORP., LTD.**Statement of operating revenue****For the year ended December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity(unit/piece)</u>	<u>Amount</u>
Automatic facilities	171,142	\$ 572,446
Fitness equipment	464,955	4,548,601
Others		<u>214,711</u>
		<u>\$ 5,335,758</u>

REXON INDUSTRIAL CORP., LTD.**Statement of operating costs****For the year ended December 31, 2025****(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Finished goods, beginning of year	\$ 3,926
Add: Purchases	350,085
Less: finished goods, ending of year	(2,825)
Others	(392)
Cost of good sold	<u>350,794</u>
Raw materials, beginning of year	28,428
Add: Purchases	230,002
Profit	38
Less: Raw materials, end of year	(24,062)
Others	(1,722)
Raw materials used	<u>232,684</u>
Parts, beginning of year	221,989
Add: Purchases	3,534,353
Direct Labor	48,358
Manufacturing expenses	68,164
Profit	8
Others	10,998
Less: Parts, end of year	(267,621)
Sold	(172,384)
Scrap loss	(661)
Work in progress Cost	<u>3,675,888</u>
Add: WIP, beginning of year	39,082
Direct labor	188,743
Manufacturing Expenses	324,724
Less: WIP, end of year	(54,669)
Finished goods cost	<u>4,173,768</u>
Add: Finished goods, beginning of year	160,329
Less: Others	(14,657)
Finished goods, end of year	(190,733)
Cost of sales from manufacturing	<u>4,128,707</u>
Cost of raw materials and parts sold	172,384
Scrap loss	661
Revenue from sale of scraps	(3,079)
Profit	(46)
Operating cost	<u><u>\$ 4,649,421</u></u>

REXON INDUSTRIAL CORP., LTD.**Statement of operating expenses****For the year ended December 31, 2025****(In thousands of New Taiwan Dollars)**

Item	Selling expense	Administration expense	Research and development expense
Salaries	\$ 32,453	91,515	85,517
Shipping and export expense	34,456	3	333
Service expense	75,065	-	-
Donation	71,383	119	35
Depreciation	1,377	17,451	7,702
Labor costs	-	19,078	1,212
Research expense	-	-	36,163
Others (Note)	12,900	68,036	26,023
Total	\$ 227,634	196,202	156,985

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 (v).