

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

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

Consolidated Financial Statements

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

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated statements of financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to NT\$196,983 thousand and NT\$234,740 thousand, constituting 2% and 3% of consolidated total assets as of September 30, 2023 and 2022, respectively, total liabilities amounting to NT\$47,489 thousand and NT\$88,699 thousand, constituting 1% and 2% of consolidated total liabilities at September 30, 2023 and 2022, respectively, and total comprehensive income(loss) amounting to NT\$(33,305) thousand, NT\$(18,808) thousand, NT\$(61,297) thousand and NT\$(67,165) thousand, constituting (14)%, (63)% , (38)% and (44)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Rexon Industrial Corp., Ltd. and its subsidiaries in its investee company of NT\$16,452 thousand and NT\$16,531 thousand as of September 30, 2023 and 2022, respectively, and its equity in net earnings on this investee company of NT\$18 thousand, NT\$486 thousand, NT\$32 thousand and NT\$299 thousand for the three months and nine months ended September 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by this investee company, but not reviewed by independent auditors.



Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Rexon Industrial Corp., Ltd. and its subsidiaries as of September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Shyh-Huar Kuo and Tsu-Hsin Chang.

KPMG

Taipei, Taiwan (Republic of China)
November 7, 2023

Notes to Readers

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

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

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

Consolidated Statements of Financial Position

September 30, 2023, December 31, 2022, and September 30, 2022

(Expressed in thousands of New Taiwan Dollar)

		<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>				<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets								Liabilities and Equity							
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 2,671,759	30	1,970,759	25	1,778,257	22	2100	Short-term borrowings (note 6(j) and 8)	\$ 762,924	9	801,417	10	823,355	10
1110	Current financial assets at fair value through profit or loss	96	-	96	-	96	-	2130	Current contract liabilities (note 6(s))	66,333	1	38,713	-	40,908	-
1150	Notes receivable, net (note 6(b))	524	-	287	-	317	-	2150	Notes payable	548,967	6	436,108	6	132,706	2
1160	Notes receivable due from related parties, net (note 6(b) and 7)	12,896	-	31,722	-	40,580	-	2160	Notes payable to related parties (note 7)	3	-	94	-	8	-
1170	Accounts receivable, net (note 6(b))	1,151,430	13	737,714	10	958,182	12	2170	Accounts payable	1,567,912	18	607,955	8	641,493	8
1180	Accounts receivable due from related parties, net (note 6(b) and 7)	4,157	-	8,794	-	4,534	-	2200	Other payables	683,433	8	595,537	8	620,640	8
1200	Other receivables, net (note 6(c))	2,325	-	277	-	741	-	2220	Other payables to related parties (note 7)	31	-	6	-	49	-
1220	Current tax assets	2,928	-	18,332	-	61,896	1	2230	Current tax liabilities	13,850	-	-	-	-	-
130X	Inventories (note 6(d))	785,728	9	582,816	8	1,022,047	13	2250	Current provisions (note 6(n))	208,012	2	201,389	3	195,820	2
1479	Other current assets (note 6(i))	112,449	1	88,463	1	85,976	1	2280	Current lease liabilities (note 6(m))	7,156	-	10,501	-	14,254	-
		<u>4,744,292</u>	<u>53</u>	<u>3,439,260</u>	<u>44</u>	<u>3,952,626</u>	<u>49</u>	2320	Long-term borrowing, current portion (note 6(l) and 8)	539,068	6	413,033	5	332,500	4
								2399	Other current liabilities (note 6(k))	<u>518,910</u>	<u>6</u>	<u>477,632</u>	<u>6</u>	<u>1,033,715</u>	<u>13</u>
										<u>4,916,599</u>	<u>56</u>	<u>3,582,385</u>	<u>46</u>	<u>3,835,448</u>	<u>47</u>
Non-current assets:								Non-Current liabilities:							
1550	Investments accounted for using equity method, net (note 6(e))	16,452	-	16,420	-	16,531	-	2540	Long-term borrowings (note 6(l) and 8)	289,786	3	637,554	9	710,833	9
1600	Property, plant and equipment (note 6(f) and 8)	3,598,071	40	3,119,127	40	3,173,422	39	2570	Deferred tax liabilities	-	-	-	-	6,491	-
1755	Right-of-use assets (note 6(g))	80,817	1	88,796	1	95,906	1	2580	Non-current lease liabilities (note 6(m))	20,087	-	24,691	-	26,943	-
1780	Intangible assets (note 6(h))	64,344	1	66,904	1	69,182	1		Total liabilities	<u>309,873</u>	<u>3</u>	<u>662,245</u>	<u>9</u>	<u>744,267</u>	<u>9</u>
1840	Deferred tax assets	138,272	2	167,970	2	80,659	1	Equity attributable to owners of parent: (note 6(q))							
1920	Guarantee deposits paid	2,680	-	1,926	-	4,226	-	3100	Ordinary shares	1,814,735	20	1,814,735	24	1,814,735	23
1975	Net defined benefit asset, non-current	204,275	2	206,005	3	113,165	1	3200	Capital surplus	586	-	586	-	586	-
1990	Other non-current assets (note 6(i))	49,355	1	647,549	9	628,728	8	3300	Retained earnings	1,956,425	22	1,812,259	23	1,845,946	23
		<u>4,154,266</u>	<u>47</u>	<u>4,314,697</u>	<u>56</u>	<u>4,181,819</u>	<u>51</u>	3400	Other equity	(128,330)	(1)	(143,923)	(2)	(132,048)	(2)
									Total equity attributable to owners of parent:	<u>3,643,416</u>	<u>41</u>	<u>3,483,657</u>	<u>45</u>	<u>3,529,219</u>	<u>44</u>
								36XX	Non-controlling interests	<u>28,670</u>	<u>-</u>	<u>25,670</u>	<u>-</u>	<u>25,511</u>	<u>-</u>
									Total equity	<u>3,672,086</u>	<u>41</u>	<u>3,509,327</u>	<u>45</u>	<u>3,554,730</u>	<u>44</u>
Total assets		<u>\$ 8,898,558</u>	<u>100</u>	<u>7,753,957</u>	<u>100</u>	<u>8,134,445</u>	<u>100</u>	Total liabilities and equity		<u>\$ 8,898,558</u>	<u>100</u>	<u>7,753,957</u>	<u>100</u>	<u>8,134,445</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

	For the three months ended September 30				For the nine months ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue, net (note 6(s) and 7)	\$ 2,335,980	100	1,073,244	100	3,946,824	100	3,652,335	100
5000 Operating costs (note 6(d) and (o))	1,919,056	82	1,042,915	97	3,385,576	86	3,514,222	96
Gross profit from operations	<u>416,924</u>	<u>18</u>	<u>30,329</u>	<u>3</u>	<u>561,248</u>	<u>14</u>	<u>138,113</u>	<u>4</u>
6000 Operating expenses (note 6(o) and (t)):								
6100 Selling expenses	82,698	4	67,038	6	166,479	4	201,618	5
6200 Administrative expenses	58,228	2	44,050	4	144,880	4	141,989	4
6300 Research and development expenses	49,887	2	35,601	3	118,200	3	114,447	3
	<u>190,813</u>	<u>8</u>	<u>146,689</u>	<u>13</u>	<u>429,559</u>	<u>11</u>	<u>458,054</u>	<u>12</u>
Net operating loss	<u>226,111</u>	<u>10</u>	<u>(116,360)</u>	<u>(10)</u>	<u>131,689</u>	<u>3</u>	<u>(319,941)</u>	<u>(8)</u>
7000 Non-operating income and expenses:								
7100 Interest income (note 6(u))	723	-	316	-	8,314	-	1,465	-
7010 Other income (note 6(u))	8,006	-	4,095	-	33,207	1	11,834	-
7020 Other gains and losses, net (note 6(u))	41,956	2	63,429	6	40,959	1	83,650	2
7050 Finance costs, net (note 6(m) and (u))	(8,367)	-	(5,992)	(1)	(24,457)	(1)	(15,061)	-
7060 Share of profit of associates accounted for using equity method (note 6(e))	18	-	486	-	32	-	299	-
	<u>42,336</u>	<u>2</u>	<u>62,334</u>	<u>5</u>	<u>58,055</u>	<u>1</u>	<u>82,187</u>	<u>2</u>
7900 Profit (loss) before income tax	268,447	12	(54,026)	(5)	189,744	4	(237,754)	(6)
7950 Income tax expense (benefit) (note 6(p))	55,714	2	(10,786)	(1)	42,870	1	(54,599)	(1)
8200 Profit (loss)	<u>212,733</u>	<u>10</u>	<u>(43,240)</u>	<u>(4)</u>	<u>146,874</u>	<u>3</u>	<u>(183,155)</u>	<u>(5)</u>
8300 Other comprehensive income (loss):								
8360 Items that may be reclassified subsequently to profit or loss:								
8361 Exchange differences on translation (note 6(q))	32,283	1	16,349	1	19,783	1	39,686	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss(note 6(p))	(6,414)	-	(3,193)	-	(3,898)	-	(7,784)	-
8300 Other comprehensive income (after tax)	<u>25,869</u>	<u>1</u>	<u>13,156</u>	<u>1</u>	<u>15,885</u>	<u>1</u>	<u>31,902</u>	<u>1</u>
8500 Comprehensive income	<u>\$ 238,602</u>	<u>11</u>	<u>(30,084)</u>	<u>(3)</u>	<u>162,759</u>	<u>4</u>	<u>(151,253)</u>	<u>(4)</u>
Profit (loss) attributable to:								
8610 Owners of parent	\$ 210,961	10	(43,147)	(4)	144,166	3	(182,584)	(5)
8620 Non-controlling interests	1,772	-	(93)	-	2,708	-	(571)	-
	<u>\$ 212,733</u>	<u>10</u>	<u>(43,240)</u>	<u>(4)</u>	<u>146,874</u>	<u>3</u>	<u>(183,155)</u>	<u>(5)</u>
Comprehensive income attributable to:								
8710 Owners of parent	\$ 236,618	11	(30,378)	(3)	159,759	4	(151,450)	(4)
8720 Non-controlling interests	1,984	-	294	-	3,000	-	197	-
	<u>\$ 238,602</u>	<u>11</u>	<u>(30,084)</u>	<u>(3)</u>	<u>162,759</u>	<u>4</u>	<u>(151,253)</u>	<u>(4)</u>
Earnings (loss) per share (NT dollars) (note 6 (r))								
9750 Basic earnings (loss) per share	<u>\$ 1.16</u>		<u>(0.24)</u>		<u>0.79</u>		<u>(1.01)</u>	
9850 Diluted earnings (loss) per share	<u>\$ 1.16</u>		<u>(0.24)</u>		<u>0.79</u>		<u>(1.01)</u>	

See accompanying notes to consolidated financial statements.

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

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the nine months ended September 30, 2023 and 2022****(expressed in thousands of New Taiwan Dollar)**

Equity attributable to owners of parent

	Share capital		Retained earnings				Other equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total other equity interest			
Balance at January 1, 2022	\$ 1,814,735	586	363,103	177,226	2,032,621	2,572,950	(163,182)	(163,182)	4,225,089	25,314	4,250,403
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	112,820	-	(112,820)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(544,420)	(544,420)	-	-	(544,420)	-	(544,420)
Reversal of special reserve	-	-	-	(14,044)	14,044	-	-	-	-	-	-
	-	-	112,820	(14,044)	(643,196)	(544,420)	-	-	(544,420)	-	(544,420)
Loss for the period	-	-	-	-	(182,584)	(182,584)	-	-	(182,584)	(571)	(183,155)
Other comprehensive income for the period	-	-	-	-	-	-	31,134	31,134	31,134	768	31,902
Comprehensive income	-	-	-	-	(182,584)	(182,584)	31,134	31,134	(151,450)	197	(151,253)
Balance at September 30, 2022	\$ 1,814,735	586	475,923	163,182	1,206,841	1,845,946	(132,048)	(132,048)	3,529,219	25,511	3,554,730
Balance at January 1, 2023	\$ 1,814,735	586	475,923	163,182	1,173,154	1,812,259	(143,923)	(143,923)	3,483,657	25,670	3,509,327
Profit for the period	-	-	-	-	144,166	144,166	-	-	144,166	2,708	146,874
Other comprehensive income for the period	-	-	-	-	-	-	15,593	15,593	15,593	292	15,885
Comprehensive income	-	-	-	-	144,166	144,166	15,593	15,593	159,759	3,000	162,759
Balance at September 30, 2023	\$ 1,814,735	586	475,923	163,182	1,317,320	1,956,425	(128,330)	(128,330)	3,643,416	28,670	3,672,086

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Expressed in thousands of New Taiwan Dollar)

	For the nine months ended September 30	
	2023	2022
Cash flows from operating activities:		
Profit (loss) before tax	\$ 189,744	(237,754)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	266,031	259,161
Amortization expenses	15,893	13,108
Interest expenses	24,457	15,061
Interest income	(8,314)	(1,465)
Shares of profit of associates accounted for using equity method	(32)	(299)
Losses on disposal of property, plant and equipment	4,772	2,832
Impairment loss of property, plant and equipment	24,574	-
Gain on disposal of non-current assets classified as held for sale	-	(40)
Total adjustments to reconcile profit	<u>327,381</u>	<u>288,358</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in notes receivable	(237)	1,959
Decrease (increase) in notes receivable due from related parties	18,826	(13,037)
(Increase) decrease in accounts receivable	(413,716)	758,931
Decrease in accounts receivable due from related parties	4,637	6,544
Increase in other receivables	(2,048)	(601)
(Increase) decrease in inventories	(202,912)	953,228
(Increase) decrease in other current assets	(23,986)	123,764
Decrease (increase) in net defined benefit assets	1,730	(22,500)
Decrease in other operating assets	1,358	1,494
Total changes in operating assets	<u>(616,348)</u>	<u>1,809,782</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	27,620	(10,416)
Increase (decrease) in notes payable	112,859	(1,258,762)
Decrease in notes payable to related parties	(91)	(3,791)
Increase (decrease) in accounts payable	959,957	(2,868,192)
Increase (decrease) in other payable	86,689	(95,253)
Increase in other payable to related parties	25	32
Increase in other current liabilities	47,901	418,851
Total changes in operating liabilities	<u>1,234,960</u>	<u>(3,817,531)</u>
Total changes in operating assets and liabilities	<u>618,612</u>	<u>(2,007,749)</u>
Total adjustments	<u>945,993</u>	<u>(1,719,391)</u>
Cash inflow (outflow) generated from operations	1,135,737	(1,957,145)
Interest received	8,314	1,465
Dividends received	-	480
Interest paid	(24,501)	(14,839)
Income taxes refund	12,184	(197,290)
Net cash flows from (used in) operating activities	<u>1,131,734</u>	<u>(2,167,329)</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(124,600)	(99,732)
Proceeds from disposal of property, plant and equipment	2,093	3,594
(Increase) decrease in refundable deposits	(754)	4,827
Acquisition of intangible assets	(13,304)	(19,805)
Increase in prepayments for business facilities	(31,898)	(342,444)
Net cash flows used in investing activities	<u>(168,463)</u>	<u>(453,560)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	1,735,325	2,221,155
Decrease in short-term borrowings	(1,775,065)	(2,202,891)
Increase from long-term borrowings	53,935	500,000
Repayments of long-term borrowings	(278,787)	(144,396)
Payment of lease liabilities	(8,307)	(24,253)
Cash dividends paid	-	(544,420)
Net cash flows used in financing activities	<u>(272,899)</u>	<u>(194,805)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>10,628</u>	<u>19,232</u>
Net increase (decrease) in cash and cash equivalents	<u>701,000</u>	<u>(2,796,462)</u>
Cash and cash equivalents at beginning of period	<u>1,970,759</u>	<u>4,574,719</u>
Cash and cash equivalents at end of period	<u>\$ 2,671,759</u>	<u>1,778,257</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

September 30, 2023 and 2022

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

(1) Company history

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

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

These consolidated financial statements for the nine Months ended September 30, 2023 and 2022 were authorized for issuance by the Board of Directors on November 7, 2023.

(3) New standards, amendments and interpretations adopted

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

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

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

The Group has initially adopted the (following) new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023 :

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS21“Lack of Exchangeability”

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

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

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

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

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(c) Employee benefits

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

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 Group, 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.

(d) Income taxes

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

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

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In the preparation of the consolidated financial statements, the major sources of significant accounting judgments and estimation uncertainty are consistent with Note 5 of the consolidated financial statements for the year ended December 31, 2022.

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

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

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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influence on Fine Clear Corp., Ltd.

(6) Explanation of significant accounts

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

(a) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Petty cash and cash on hand	\$ 1,545	1,651	1,041
Checking and demand deposits	2,661,340	1,969,108	1,777,216
Time deposits	8,874	-	-
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 2,671,759</u>	<u>1,970,759</u>	<u>1,778,257</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable from operating activities	\$ 524	287	317
Notes receivable from operating activities-related parties	12,896	31,722	40,580
Less: Loss allowance	-	-	-
	<u>\$ 13,420</u>	<u>32,009</u>	<u>40,897</u>
Accounts receivable-measured at amortized cost	\$ 1,153,033	739,317	959,785
Accounts receivable from related parties-measured at amortized cost	4,157	8,794	4,534
Less: Loss allowance	(1,603)	(1,603)	(1,603)
	<u>\$ 1,155,587</u>	<u>746,508</u>	<u>962,716</u>

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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	September 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 935,937	0.06%	591
1 to 90 days past due	234,540	0.41%	960
91 to 180 days past due	133	39.1%	52
181 to 360 days past due	-	-	-
Over 360 days past due	-	-	-
Total	\$ 1,170,610		1,603
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 645,894	0.04%	273
1 to 90 days past due	134,225	0.99%	1,329
91 to 180 days past due	-	-	-
181 to 360 days past due	-	-	-
Over 360 days past due	1	100%	1
Total	\$ 780,120		1,603
	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 784,509	0.13%	988
1 to 90 days past due	220,218	0.13%	288
91 to 180 days past due	488	66.87%	326
181 to 360 days past due	-	-	-
Over 360 days past due	1	100%	1
Total	\$ 1,005,216		1,603

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

	2023	2022
Balance at January 1	\$ 1,603	1,603
(which is balance at September 30)		

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(c) **Other receivables**

	September 30, 2023	December 31, 2022	September 30, 2022
Other receivables	\$ 13,572	11,524	11,988
Less: Loss allowance	<u>(11,247)</u>	<u>(11,247)</u>	<u>(11,247)</u>
	<u>\$ 2,325</u>	<u>277</u>	<u>741</u>

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

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

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

(d) **Inventories**

	September 30, 2023	December 31, 2022	September 30, 2022
Finished goods	\$ 350,391	156,348	196,280
Work in progress	117,336	52,493	171,028
Materials	191,776	163,768	192,551
Parts	120,439	204,873	455,596
Merchandise	<u>5,786</u>	<u>5,334</u>	<u>6,592</u>
	<u>\$ 785,728</u>	<u>582,816</u>	<u>1,022,047</u>

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Inventory scrap loss	\$ 5,172	1,230	7,722	4,225
Inventory shortage	-	-	15	-
Revenue from sale of scraps	<u>(3,549)</u>	<u>(643)</u>	<u>(16,757)</u>	<u>(2,373)</u>
	<u>\$ 1,623</u>	<u>587</u>	<u>(9,020)</u>	<u>1,852</u>

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(e) **Investments accounted for using equity method**

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

	September 30, 2023	December 31, 2022	September 30, 2022
Associates	\$ <u>16,452</u>	<u>16,420</u>	<u>16,531</u>

(i) Associates

Affiliated company's information:

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount of individually insignificant associates' equity	\$ <u>16,452</u>	<u>16,420</u>	<u>16,531</u>

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Attributable to the Group:				
Profit from continuing operations	\$ 18	486	32	299
Other comprehensive income	-	-	-	-
Comprehensive income	\$ <u>18</u>	<u>486</u>	<u>32</u>	<u>299</u>

(ii) As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

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

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

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Mold and tooling equipment</u>	<u>Office equipment and other facilities</u>	<u>Total</u>
Cost or deemed cost:						
Balance on January 1, 2023	\$ 1,141,147	2,236,235	845,703	857,009	166,666	5,246,760
Additions	50,384	42,352	5,414	23,467	4,234	125,851
Disposal	-	-	(4,382)	(21,439)	(2,317)	(28,138)
Reclassification	-	597,027	23,462	8,210	35	628,734
Effect of movements in exchange rates	148	15,652	2,812	2,143	714	21,469
Balance on September 30, 2023	<u>\$ 1,191,679</u>	<u>2,891,266</u>	<u>873,009</u>	<u>869,390</u>	<u>169,332</u>	<u>5,994,676</u>
Balance on January 1, 2022	\$ 1,139,930	2,165,757	811,116	791,094	177,288	5,085,185
Additions	-	9,538	7,453	41,042	2,727	60,760
Disposal	-	-	(8,957)	(6,120)	(13,691)	(28,768)
Reclassification	-	4,624	33,671	23,176	1,877	63,348
Effect of movements in exchange rates	387	26,062	4,427	2,688	1,565	35,129
Balance on September 30, 2022	<u>\$ 1,140,317</u>	<u>2,205,981</u>	<u>847,710</u>	<u>851,880</u>	<u>169,766</u>	<u>5,215,654</u>
Depreciation and impairment loss:						
Balance on January 1, 2023	\$ -	980,446	400,913	626,023	120,251	2,127,633
Depreciation	-	99,352	75,944	71,054	10,322	256,672
Disposal	-	-	(2,778)	(16,388)	(2,107)	(21,273)
Impairment loss	-	-	-	24,574	-	24,574
Effect of movements in exchange rates	-	5,262	1,788	1,295	654	8,999
Balance on September 30, 2023	<u>\$ -</u>	<u>1,085,060</u>	<u>475,867</u>	<u>706,558</u>	<u>129,120</u>	<u>2,396,605</u>
Balance on January 1, 2022	\$ -	866,637	305,252	528,974	117,669	1,818,532
Depreciation	-	80,870	76,767	65,561	10,648	233,846
Disposal	-	-	(7,637)	(5,153)	(9,552)	(22,342)
Effect of movements in exchange rates	-	7,139	2,192	1,373	1,492	12,196
Balance on September 30, 2022	<u>\$ -</u>	<u>954,646</u>	<u>376,574</u>	<u>590,755</u>	<u>120,257</u>	<u>2,042,232</u>
Carrying amounts:						
Balance on January 1, 2023	<u>\$ 1,141,147</u>	<u>1,255,789</u>	<u>444,790</u>	<u>230,986</u>	<u>46,415</u>	<u>3,119,127</u>
Balance on September 30, 2023	<u>\$ 1,191,679</u>	<u>1,806,206</u>	<u>397,142</u>	<u>162,832</u>	<u>40,212</u>	<u>3,598,071</u>
Balance on January 1, 2022	<u>\$ 1,139,930</u>	<u>1,299,120</u>	<u>505,864</u>	<u>262,120</u>	<u>59,619</u>	<u>3,266,653</u>
Balance on September 30, 2022	<u>\$ 1,140,317</u>	<u>1,251,335</u>	<u>471,136</u>	<u>261,125</u>	<u>49,509</u>	<u>3,173,422</u>

- (i) In response to the need for expansion in the future, the Group bought the farmland near to its factory, costing \$316,060 thousand, but the ownership of the land is temporarily not allowed to be transferred to the Group because the farmland is legally for agricultural purpose. Therefore, the farmland now is registered in the name of a shareholder who has the identity of natural person and has pledged to the Group for security concerns.
- (ii) As of September 30, 2023, the Group recognized an impairment loss of \$24,574 thousand on the book value of some mold equipment that had exceeded its useful life and been expected to be disposed.

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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- (iii) Gain or losses of disposal, please refer to Note 6(u).
- (iv) As of September 30, 2023, December 31, 2022 and September 30, 2022, property, plant and equipment of the Group was pledged as collateral for long-term loans; please refer to note 8.

(g) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 87,243	14,799	20,078	122,120
Additions	-	-	358	358
Reductions	-	(14,799)	(328)	(15,127)
Effect of movement in exchange rates	<u>1,145</u>	<u>-</u>	<u>-</u>	<u>1,145</u>
Balance at September 30, 2023	<u>\$ 88,388</u>	<u>-</u>	<u>20,108</u>	<u>108,496</u>
Balance at January 1, 2022	\$ 86,329	51,627	20,899	158,855
Additions	-	-	4,229	4,229
Reductions	-	(15,440)	(5,050)	(20,490)
Effect of movement in exchange rates	<u>1,754</u>	<u>-</u>	<u>-</u>	<u>1,754</u>
Balance at September 30, 2022	<u>\$ 88,083</u>	<u>36,187</u>	<u>20,078</u>	<u>144,348</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2023	\$ 10,284	13,566	9,474	33,324
Depreciation for the period	3,111	1,233	5,015	9,359
Reductions	-	(14,799)	(328)	(15,127)
Effect of movement in exchange rates	<u>123</u>	<u>-</u>	<u>-</u>	<u>123</u>
Balance at September 30, 2023	<u>\$ 13,518</u>	<u>-</u>	<u>14,161</u>	<u>27,679</u>
Balance at January 1, 2022	\$ 6,076	22,898	7,231	36,205
Depreciation for the period	3,124	17,430	4,761	25,315
Reductions	-	(9,007)	(4,191)	(13,198)
Effect of movement in exchange rates	<u>120</u>	<u>-</u>	<u>-</u>	<u>120</u>
Balance at September 30, 2022	<u>\$ 9,320</u>	<u>31,321</u>	<u>7,801</u>	<u>48,442</u>
Carrying amount:				
Balance at January 1, 2023	<u>\$ 76,959</u>	<u>1,233</u>	<u>10,604</u>	<u>88,796</u>
Balance at September 30, 2023	<u>\$ 74,870</u>	<u>-</u>	<u>5,947</u>	<u>80,817</u>
Balance at January 1, 2022	<u>\$ 80,253</u>	<u>28,729</u>	<u>13,668</u>	<u>122,650</u>
Balance at September 30, 2022	<u>\$ 78,763</u>	<u>4,866</u>	<u>12,277</u>	<u>95,906</u>

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

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(h) **Intangible assets**

The costs and amortization of the intangible assets of the Group for the nine months ended September 30, 2023 and 2022, were as follows:

	<u>Goodwill</u>	<u>Computer Software</u>	<u>Total</u>
Costs:			
Balance at January 1, 2023	\$ 43,293	162,276	205,569
Additions	-	13,304	13,304
Reductions	-	(2,077)	(2,077)
Effect of movement in exchange rates	-	157	157
Balance at September 30, 2023	<u>\$ 43,293</u>	<u>173,660</u>	<u>216,953</u>
Balance at January 1, 2022	\$ 43,293	141,692	184,985
Additions	-	19,805	19,805
Reductions	-	(1,949)	(1,949)
Effect of movement in exchange rates	-	220	220
Balance at September 30, 2022	<u>\$ 43,293</u>	<u>159,768</u>	<u>203,061</u>
Amortization:			
Balance at January 1, 2023	\$ -	138,665	138,665
Amortization for the period	-	15,893	15,893
Reductions	-	(2,077)	(2,077)
Effect of movement in exchange rates	-	128	128
Balance at September 30, 2023	<u>\$ -</u>	<u>152,609</u>	<u>152,609</u>
Balance at January 1, 2022	\$ -	122,586	122,586
Amortization for the period	-	13,108	13,108
Reductions	-	(1,949)	(1,949)
Effect of movement in exchange rates	-	134	134
Balance at September 30, 2022	<u>\$ -</u>	<u>133,879</u>	<u>133,879</u>
Carrying value:			
Balance at January 1, 2023	<u>\$ 43,293</u>	<u>23,611</u>	<u>66,904</u>
Balance at September 30, 2023	<u>\$ 43,293</u>	<u>21,051</u>	<u>64,344</u>
Balance at January 1, 2022	<u>\$ 43,293</u>	<u>19,106</u>	<u>62,399</u>
Balance at September 30, 2022	<u>\$ 43,293</u>	<u>25,889</u>	<u>69,182</u>

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

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Other current assets:			
Prepayments	\$ 37,419	39,224	47,535
Bussiness tax receivables	62,160	35,379	24,194
Others	<u>12,870</u>	<u>13,860</u>	<u>14,247</u>
	<u>\$ 112,449</u>	<u>88,463</u>	<u>85,976</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Other non-current assets:			
Prepayments for equipment	\$ 46,074	642,910	623,605
Others	<u>3,281</u>	<u>4,639</u>	<u>5,123</u>
	<u>\$ 49,355</u>	<u>647,549</u>	<u>628,728</u>

(j) **Short-term borrowings**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ 400,000	500,000	704,000
Secured bank loans	<u>362,924</u>	<u>301,417</u>	<u>119,355</u>
	<u>\$ 762,924</u>	<u>801,417</u>	<u>823,355</u>
Unused short-term credit lines	<u>\$ 3,239,940</u>	<u>3,389,004</u>	<u>3,369,192</u>
Range of interest rate	<u>1.66%~4.785%</u>	<u>1.41%~4.785%</u>	<u>1.24% ~4.785%</u>

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

For the nine months ended September 30, 2023 and 2022, the Group had the additional short-term borrowings amounting to \$1,735,325 thousand and \$2,221,155 thousand, with a range of interest rate 1.66%~4.785% and 0.85%~4.785%, maturing in a range from October, 2023 to September, 2024 and October, 2022 to September, 2023, and the repayments were \$1,775,065 thousand and \$2,202,891 thousand, respectively.

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

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

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

The details of other current liabilities were summarized as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Advance receipts	\$ 3,566	3,566	3,566
Temporary receipt	510,056	457,393	1,002,939
Others	<u>5,288</u>	<u>16,673</u>	<u>27,210</u>
	<u>\$ 518,910</u>	<u>477,632</u>	<u>1,033,715</u>

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

(l) **Long-term borrowings**

The details of long-term borrowings were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 64,540	232,253	183,333
Secured bank loans	764,314	818,334	860,000
Less : current portion	<u>(539,068)</u>	<u>(413,033)</u>	<u>(332,500)</u>
Total	<u>\$ 289,786</u>	<u>637,554</u>	<u>710,833</u>
Unused long-term credit lines	<u>\$ 1,419,912</u>	<u>170,000</u>	<u>170,000</u>
Range of interest rate	<u>1.075%~5.24%</u>	<u>0.95%~5.24%</u>	<u>0.85%~1.46%</u>

(i) Additional long-term borrowings and repayments

For the nine months ended September 30, 2023 and 2022, the Group had the additional long-term borrowings amounting to \$53,935 thousand and \$500,000 thousand, with a range of interest rate 4.35% and 1.03%~1.3%, maturing in range from April, 2024 to March, 2026 and January, 2025 to May, 2026 and the repayments were \$278,787 thousand and \$144,396 thousand, respectively.

(ii) Collateral for long-term borrowings

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

(m) **Lease liabilities**

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ <u>7,156</u>	<u>10,501</u>	<u>14,254</u>
Non-current	<u>\$ 20,087</u>	<u>24,691</u>	<u>26,943</u>

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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The amounts recognized in profit or loss were as follows:

	For the nine months ended September 30	
	2023	2022
Interest expense on lease liabilities	\$ 242	406

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

	For the nine months ended September 30	
	2023	2022
Total cash outflow for leases	\$ 8,549	24,659

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

(n) Provisions

	Warranties
Balance at January 1, 2023	\$ 201,389
Provisions made during the period	76,491
Provisions used during the period	(69,868)
Balance at September 30, 2023	\$ 208,012
Balance at January 1, 2022	\$ 162,599
Provisions made during the period	64,181
Provisions used during the period	(30,960)
Balance at September 30, 2022	\$ 195,820

The provision for warranties relates mainly to automatic facilities and fitness equipment sold during the period ended September 30, 2023 and 2022. The provision is based on estimates made from historical defect rate associated with similar products and services. The Group expects to settle the liability over the next two quarters.

(o) Employee benefits

(i) Defined benefit plans

In prior fiscal year, there was no material volatility of the market, reimbursement and settlement or other material one-time events. As a result, pension cost in the accompanying interim financial statements is measured and disclosed as of December 31, 2022 and 2021.

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Operating costs	\$ 541	607	1,607	2,292
Selling expenses	32	35	95	260
Administrative expenses	95	215	286	815
Research and development expenses	121	151	395	590
Total	\$ 789	1,008	2,383	3,957

(ii) Defined contribution plans

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Operating costs	\$ 3,478	3,402	9,127	13,498
Selling expenses	253	266	738	831
Administrative expenses	627	706	1,873	2,292
Research and development expenses	840	889	2,486	2,920
Total	\$ 5,198	5,263	14,224	19,541

Except for the Company and Rexon Technology Corp., Ltd., other subsidiaries adopted the defined contribution method under their local law, and accordingly, the pension costs were \$1,240 thousand, \$1,269 thousand, \$3,773 thousand and \$4,072 thousand for the three months ended September 30, 2023 and 2022, and for the nine months ended September 30, 2023 and 2022.

(p) **Income taxes**

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Current tax expense (benefit)				
Current period	\$ 29,298	(2,320)	14,317	(43,188)
Adjustment for prior periods	500	-	2,753	(7,163)
	<u>29,798</u>	<u>(2,320)</u>	<u>17,070</u>	<u>(50,351)</u>

(Continued)

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Deferred tax expense				
Origination and reversal of temporary differences	25,916	(8,466)	25,800	(4,248)
Income tax expense (benefit)	<u>\$ 55,714</u>	<u>(10,786)</u>	<u>42,870</u>	<u>(54,599)</u>

The amounts of income tax recognized directly in other comprehensive income for the nine months ended September 30, 2023 and 2022 were as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	<u>\$ (6,414)</u>	<u>(3,193)</u>	<u>(3,898)</u>	<u>(7,784)</u>

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

(q) Capital and other equity

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

(i) Retained earnings

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

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

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

1) Special reserve

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

As of September 30, 2023, December 31, 2022 and September 30, 2022, the amounts of such special reserves were both \$163,182 thousand.

2) Earnings distribution

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

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

(ii) OCI accumulated in reserves, net of tax

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2023	\$ (143,923)
Exchange differences on foreign operations	15,593
Balance at September 30, 2023	\$ (128,330)
Balance at January 1, 2022	\$ (163,182)
Exchange differences on oprations foreign	31,134
Balance at September 30, 2022	\$ (132,048)

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

(r) **Earnings (loss) per share**

	For the three months ended		For the nine months ended	
	September 30		September 30	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic earnings (loss) per share				
Net profit (loss) attributable to ordinary shareholders of the Company	\$ <u>210,961</u>	<u>(43,147)</u>	<u>144,166</u>	<u>(182,584)</u>
Weighted-average number of ordinary shares	<u>181,473</u>	<u>181,473</u>	<u>181,473</u>	<u>181,473</u>
	\$ <u>1.16</u>	<u>(0.24)</u>	<u>0.79</u>	<u>(1.01)</u>
Diluted earnings (loss) per share				
Net profit (loss) attributable to ordinary shareholders of the Company	\$ <u>210,961</u>	<u>(43,147)</u>	<u>144,166</u>	<u>(182,584)</u>
Weighted-average number of ordinary shares	181,473	181,473	181,473	181,473
Effect of employee share bonus	<u>375</u>	<u>-</u>	<u>375</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>181,848</u>	<u>181,473</u>	<u>181,848</u>	<u>181,473</u>
	\$ <u>1.16</u>	<u>(0.24)</u>	<u>0.79</u>	<u>(1.01)</u>

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

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

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

(i) Details of revenue

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
<u>Primary geographical markets</u>				
America	\$ 2,078,977	1,004,195	3,478,160	3,334,602
Europe	218,758	23,244	349,779	170,001
Asia	27,799	40,497	72,667	140,602
Other	10,446	5,308	46,218	7,130
	<u>\$ 2,335,980</u>	<u>1,073,244</u>	<u>3,946,824</u>	<u>3,652,335</u>
<u>Major products/services lines</u>				
Woodworking tools	\$ 292,488	435,274	519,164	1,076,643
Fitness equipment	1,537,181	584,061	2,626,452	2,399,336
Other	506,311	53,909	801,208	176,356
	<u>\$ 2,335,980</u>	<u>1,073,244</u>	<u>3,946,824</u>	<u>3,652,335</u>

(ii) Contract balances

	September	December	September
	30, 2023	31, 2022	30, 2022
Contract liabilities	<u>\$ 66,333</u>	<u>38,713</u>	<u>40,908</u>

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

The amounts of revenue recognized for the three months and nine months ended September 30, 2023 and 2022, that were included in the contract liability balance at the beginning of the period were \$338 thousand, \$1,335 thousand, \$11,353 thousand and \$6,635 thousand, respectively.

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

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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For the ended September 30, 2023, the Company estimated its employee remuneration amounting to \$16,124 thousand, and directors' remuneration amounting to \$2,419 thousand. 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 of employees.

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

For the years ended December 31, 2022 and 2021, the remunerations to employees amounted to \$0 and \$69,327 thousand and the remunerations to directors and supervisors amounted to \$0 and \$7,000 thousand, respectively. There were no differences between the estimated amounts and the actual remuneration paid, and the information is available on the Market Observation Post System website.

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

(i) Interest income

The details of interest income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Interest income—bank deposits	\$ <u>723</u>	<u>316</u>	<u>8,314</u>	<u>1,465</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Rent income	\$ 1,397	1,397	4,191	4,191
Other	<u>6,609</u>	<u>2,698</u>	<u>29,016</u>	<u>7,643</u>
	<u>\$ 8,006</u>	<u>4,095</u>	<u>33,207</u>	<u>11,834</u>

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net foreign exchange gains	\$ 68,962	64,492	70,726	91,215
Gain on lease modification	-	-	-	40
Impairment loss on property, plant and equipment	(24,574)	-	(24,574)	-
Net losses on disposal of property, plant and equipment	(2,336)	(999)	(4,772)	(2,832)
Other	(96)	(64)	(421)	(4,773)
Net other gains and losses	<u>\$ 41,956</u>	<u>63,429</u>	<u>40,959</u>	<u>83,650</u>

(iv) Finance expenses

The details of finance expenses were as follows:

	<u>For the three months ended</u> <u>September 30</u>		<u>For the nine months ended</u> <u>September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest expenses	\$ (8,567)	(6,862)	(26,127)	(17,831)
Less: capitalization of interest	200	870	1,670	2,770
	<u>\$ (8,367)</u>	<u>(5,992)</u>	<u>(24,457)</u>	<u>(15,061)</u>

(v) **Financial Instruments**

(i) Credit risk

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2022.

(1) Concentration of credit risk

As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group reviewed the concentrations of credit risk arising from major customer at percentages below 61%, 37% and 14%, respectively, of the total trade receivables. The other top five clients contributed no more than 58%, 58% and 57%, respectively, of the total receivables.

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(2) Receivables

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>more than 5 years</u>
September 30, 2023						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,127,238	1,143,945	876,259	233,596	34,090	-
Unsecured loans	464,540	472,703	469,137	3,380	186	-
Leased liabilities (current and non-current)	27,243	28,107	7,399	4,477	8,881	7,350
Payables	<u>2,800,346</u>	<u>2,800,346</u>	<u>2,800,346</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,419,367</u>	<u>4,445,101</u>	<u>4,153,141</u>	<u>241,453</u>	<u>43,157</u>	<u>7,350</u>
December 31, 2022						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,119,751	1,137,492	654,277	401,103	82,112	-
Unsecured loans	732,253	742,453	618,844	51,686	71,923	-
Lease liabilities (current and non-current)	35,192	36,289	10,808	6,146	9,780	9,555
Payables	<u>1,639,700</u>	<u>1,639,700</u>	<u>1,639,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,526,896</u>	<u>3,555,934</u>	<u>2,923,629</u>	<u>458,935</u>	<u>163,815</u>	<u>9,555</u>
September 30, 2022						
Non-derivative financial liabilities						
Secured bank loans	\$ 979,355	1,000,188	418,841	400,168	181,179	-
Unsecured loans	887,333	893,735	758,074	51,414	84,247	-
Lease liabilities (current and non-current)	41,197	42,395	14,594	7,277	10,234	10,290
Payables	<u>1,394,896</u>	<u>1,394,896</u>	<u>1,394,896</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,302,781</u>	<u>3,331,214</u>	<u>2,586,405</u>	<u>458,859</u>	<u>275,660</u>	<u>10,290</u>

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

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(iii) Market risk

1) Currency risk

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

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign Currency	Exchange Rates	NTD	Foreign Currency	Exchange Rates	NTD	Foreign Currency	Exchange Rates	NTD
<u>Financial Assets</u>									
<u>Monetary items</u>									
USD	88,780	32.27	2,864,931	79,128	30.71	2,430,021	66,146	31.75	2,100,136
EUR	23	33.91	780	31	32.72	1,014	33	31.26	1,032
JPY	210,621	0.2162	45,536	209,838	0.2324	48,766	210,281	0.2201	46,283
GBP	5	39.23	196	5	37.30	187	5	35.53	178
<u>Financial Liabilities</u>									
<u>Monetary items</u>									
USD	1,626	32.27	52,471	8,491	30.71	260,759	8,873	31.75	281,718
EUR	224	33.91	7,596	230	32.72	7,526	229	31.26	7,159

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, borrowings and trade and other payables that are denominated in foreign currency. A strengthening or weakening of 1% of the NTD against the USD, EUR, JPY and GBP as at September 30, 2023 and 2022, would have increased or decreased the net profit after tax by \$22,811 thousand and \$14,870 thousand, respectively, with all other variables remaining constant. The analysis is performed on the same basis for September 30, 2023 and 2022.

Since the Group has many kinds of functional currency, the information on foreign exchange gain on monetary items is disclosed by total amount. For the nine months ended September 30, 2023 and 2022, the foreign exchange gain (including realized and unrealized portions) amounted to \$70,726 thousand and \$91,215 thousand, respectively.

2) Interest rate analysis

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

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

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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If the interest rate had increased or decreased by 1%, with all other variable factors remaining constant, the Group's net income would have increased/decreased by \$9,551 thousand and \$11,200 thousand for the nine months ended September 30, 2023 and 2022, respectively. This is mainly due to the Group's borrowings in variable rates.

(iv) Fair value of financial instruments

1) Categories and fair value of financial instruments

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

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

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REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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3) Valuation techniques for financial instruments measured at fair value

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

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

4) Transfer between Level 1 and Level 2

There were no transfers in the nine months ended September 30, 2023 and 2022.

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

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

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

(w) Financial risk management

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

(x) Capital management

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

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

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Total liabilities	\$ 5,226,472	4,244,630	4,579,715
Less: cash and cash equivalents	<u>(2,671,759)</u>	<u>(1,970,759)</u>	<u>(1,778,257)</u>
Net debt	2,554,713	2,273,871	2,801,458
Total equity	<u>3,672,086</u>	<u>3,509,327</u>	<u>3,554,730</u>
Adjusted equity	<u>\$ 6,226,799</u>	<u>5,783,198</u>	<u>6,356,188</u>
Debt to equity ratio	<u>41%</u>	<u>39%</u>	<u>44%</u>

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

Reconciliation of liabilities arising from financing activities were as follows:

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

	January 1, 2022	Cash flows	Non-cash changes			September 30, 2022
			Acquisition	Changes in lease payments	Foreign exchange movement	
Long-term borrowings	\$ 686,597	355,604	-	-	1,132	1,043,333
Short-term borrowings	802,025	18,264	-	-	3,066	823,355
Lease liabilities	<u>68,553</u>	<u>(24,253)</u>	<u>4,229</u>	<u>(7,332)</u>	<u>-</u>	<u>41,197</u>
Total liabilities from financing	<u>\$ 1,557,175</u>	<u>349,615</u>	<u>4,229</u>	<u>(7,332)</u>	<u>4,198</u>	<u>1,907,885</u>

(7) **Related-party transactions**

(a) Names and relationship with the Group

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Fine Clear Co., Ltd	An associate

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

(b) Significant transactions with related parties

(i) Sales of goods to related parties

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Associates – Fine Clear Co., Ltd	\$ <u>9,355</u>	<u>22,129</u>	<u>27,073</u>	<u>57,335</u>

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

(ii) Receivables from related parties

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

Account	Related-party type	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	Associates – Fine Clear Co., Ltd	\$ <u>12,896</u>	<u>31,722</u>	<u>40,580</u>
Accounts receivable	Associates – Fine Clear Co., Ltd	\$ <u>4,157</u>	<u>8,794</u>	<u>4,534</u>

(iii) Payables to related parties

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

Account	Related-party type	September 30, 2023	December 31, 2022	September 30, 2022
Notes payable	Associates – Fine Clear Co., Ltd	\$ <u>3</u>	<u>94</u>	<u>8</u>
Other payables	Associates – Fine Clear Co., Ltd	\$ <u>31</u>	<u>6</u>	<u>49</u>

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 7,641	6,771	18,192	24,385
Post-employment benefits	358	322	799	1,097
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 7,999</u>	<u>7,093</u>	<u>18,991</u>	<u>25,482</u>

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Land	Guarantee for bank loans	\$ 296,916	296,916	296,916
Buildings	Guarantee for bank loans	802,430	844,913	824,337
		<u>\$ 1,099,346</u>	<u>1,141,829</u>	<u>1,121,253</u>

(9) Significant commitments and contingencies:

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Acquisition of property, plant and equipment	\$ <u>16,068</u>	<u>293,285</u>	<u>347,880</u>

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

(10) Losses due to major disasters:None

(11) Subsequent events:None

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

(12) Other:

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

By item	For the three months ended September 30					
	2023			2022		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	102,988	43,437	146,425	89,879	46,535	136,414
Labor and health insurance	10,751	5,046	15,797	10,625	6,899	17,524
Pension	5,117	2,110	7,227	5,137	2,403	7,540
Others	2,393	682	3,075	2,462	609	3,071
Depreciation	77,705	11,522	89,227	75,149	10,325	85,474
Amortization	1,137	4,156	5,293	1,155	3,727	4,882

By item	For the nine months ended September 30					
	2023			2022		
	Operating Cost	Operating expenses	Total	Operating Cost	Operating expenses	Total
Employee benefits						
Salary	254,575	130,975	385,550	338,051	161,789	499,840
Labor and health insurance	28,383	15,410	43,793	40,622	19,103	59,725
Pension	13,964	6,416	20,380	19,404	8,166	27,570
Others	5,474	1,866	7,340	8,411	1,748	10,159
Depreciation	230,923	35,108	266,031	226,528	32,633	259,161
Amortization	3,416	12,477	15,893	2,812	10,296	13,108

- (b) Seasonality of operation

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

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

(13) Other disclosures:

(a) Information on significant transactions:

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

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

(Amounts in Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (USD2,000)	Balance of guarantees and endorsements as of reporting date (USD2,000)	Actual usage amount during the period (USD2,000)	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	REXON INDUSTRIAL CORP., LTD	Tongxiang Rexon	2	1,457,366	64,540	64,540	64,540	-	1.77 %	1,457,366	Y	N	Y

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

Note2 : No.0 represents the parent company.

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

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

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

(Amounts in Thousands of New Taiwan Dollars)

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

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

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	The subsidiary	Purchase	357,680	12 %	90-150Days	(Note1)	(Note2)	(220,569)	(11) %	

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

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

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

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

(Amounts in Thousands of New Taiwan Dollars)

Name of company	Name of Counter-party	Name of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
Tongxiang Rexon	REXON INDUSTRIAL CORP., LTD.	Parent company	Account receivable 220,569	4.29 %	-	-	The recovery amount as of October 23, 2023 : 52,282	-

(ix) Trading in derivative instruments:None.

(x) Business relationships and significant intercompany transactions:

(Amounts in Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Purchases	357,680	The prices were agreed upon by the two parties to the transaction.	9.06 %
0	REXON INDUSTRIAL CORP., LTD.	Tongxiang Rexon	1	Account payable	220,569	The payment terms were agreed upon by the two parties to the transaction.	2.48 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Purchases	56,847	The prices were agreed upon by the two parties to the transaction.	1.44 %
0	REXON INDUSTRIAL CORP., LTD.	Rexon Technology Corp., Ltd.	1	Account payable and notes payable	27,402	The payment terms were agreed upon by the two parties to the transaction.	0.31 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Service fee	34,894	The prices were agreed upon by the two parties to the transaction.	0.88 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Other payable	115,162	The payment terms were agreed upon by the two parties to the transaction.	1.29 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Sales	7,216	The prices were agreed upon by the two parties to the transaction.	0.18 %
0	REXON INDUSTRIAL CORP., LTD.	P.T.S.	1	Account receivable	1,843	The receipt terms were agreed upon by the two parties to the transaction	0.02 %

Note1 : Representations of No. were as follows:

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

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

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

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

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

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2023	December 31, 2022	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 %	17,736	198	32	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 %	109,099	13,548	11,227	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 %	171,220	9,679	9,291	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 %	671,025	(43,953)	(43,953)	Direct subsidiaries of the Company
Gold Item	Gold Tech Group Ltd.	Hong Kong	Investing and holding	US\$25,000	US\$25,000	US\$25,000 (Note 1)	100 %	650,429	(43,962)	(43,962)	Direct subsidiaries of Gold Item

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

(Continued)

REXON INDUSTRIAL CORP., LTD. AND SUBSIDIARIES
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(c) Information on investment in mainland China:

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

(Amounts in Thousands of New Taiwan Dollars)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2023	Net income (losses) of the investee	Percentage of ownership	Net income (losses) recognized	Carrying value as of September 30, 2023	Accumulated remittance of earnings as of September 30, 2023
					Outflow	Inflow						
Tongxiang Rexion	Manufacture of drills, woodworking tools and fitness equipment	RMB154,465 (USD 25,000)	(Note 1)	USD 25,000 (NTD 745,565)	-	-	USD 25,000 (NTD 745,565)	(43,962)	100 %	(43,962)	650,429	-

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
US\$ 25,000 (NT\$745,565)	US\$ 25,000 (NT\$745,565)	2,186,050

(iii) Significant transactions:

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Kun Forever Co., Ltd.		20,196,000	11.12 %
Trust Account entrusted by Shu-Qi Chen in Li-Tai Investing Corp., Ltd.		12,275,999	6.76 %

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

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

(14) Segment information

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